

The Boeing Company
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EXHIBIT A

Steven W. Horton
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Via Overnight Mail

October 30, 2003

Steven A. Shaw, Esq.
Deputy General Counsel
(Contractor Responsibility)
Department of the Air Force
4040 N. Fairfax Drive, Suite 204
Arlington, VA 22203-1613

Re: Boeing Policies and Procedures Regarding DFARS 203.7001

Dear Mr. Shaw:

This letter responds to your September 25, 2003 email requesting The Boeing Company's ("Boeing") policies and/or procedures that satisfy the requirements for Contractor Standards of Conduct found in the Defense Federal Acquisition Regulation Supplement ("DFARS") § 203.7001. As you might expect, Boeing's "system of management controls" covering the topics in DFARS § 203.7001 is evidenced by more than a single document. In fact, Boeing's management controls are found in several documents, including policies, procedures and other written materials, and are evidenced by everyday business practices.

Boeing has already provided many of these policies and procedures to the Air Force as exhibits to its Response to the Air Force Notice of Suspension (dated August 25, 2003) ("Response"). That submission also contains significant additional materials describing the implementation of Boeing's system of management controls, including its Ethical Business Conduct Program.

Nonetheless, for your convenience, we have also included those policies and procedures as attachments to this letter and have organized them and other pertinent materials in accordance with the topics in DFARS § 203.7001. You will note that,



in some instances, policies or procedures and other materials are cited under more than one DFARS heading due to their relevance to multiple topics.

We also believe that it is important to note that Boeing's policies and procedures are part of a larger, dynamic corporate governance system. An important component of this system are the various communications mechanisms that Boeing uses to ensure that all company employees are timely informed of and understand the rules, and their associated purposes, under which Boeing conducts its overall business. Accordingly, certain attached documents relate to the Company's communications to employees regarding the policies and procedures.

Finally, Boeing has provided policies, procedures and related materials with this submission that it believes are most relevant to your request. Thus, other materials and practices that relate to the DFARS Contractor Standards of Conduct are not included.

(1) A written code of business ethics and conduct and
an ethics training program for all employees

Exhibit 1: Boeing Policy-2, "Ethical Business Conduct" (January 29, 2001). This Policy establishes the formal standards of ethical conduct to be adhered to by all Boeing employees throughout the company.

Exhibit 2: Boeing Procedure-3, "Ethics and Business Conduct Program" (December 20, 2001). This Procedure documents the processes associated with Boeing's formal Ethics and Business Conduct Program outlined in the preceding Policy-2, including the corporate structure and roles, as well as education requirements for all employees.

Exhibit 3: Boeing Ethical Business Conduct Guidelines (undated). This booklet provides an overview of Boeing's Ethical Business Conduct Program and incorporates references to relevant policies and procedures. It is a resource for all employees to use to ensure that their actions conform to the highest ethical standards.

Exhibit 4: Boeing Guide to Compliance with the Procurement Integrity Law and Use of Competitor Data (undated). This Guide provides detailed guidance and instructions for all employees on effectively complying with the requirements of the

Steven A. Shaw, Esq.
October 30, 2003
Page 3



Procurement Integrity Act, and discusses how the Act is relevant to various Boeing policies and procedures.

Exhibit 5: Guidelines on Gathering and Use of Information about Competitors (December 7, 1998). This guidance outlines requirements and procedures for proposal teams regarding the handling and use of competitor information for the purpose of maintaining the highest ethical standards in conducting procurement activities.

Exhibit 6: Boeing Procedure-70, "Procurement Integrity and Restrictions on Use of Competitor Information" (August 5, 2003). This Procedure documents procedures related to ensuring Company-wide compliance with the Procurement Integrity Act.

Exhibit 7: Boeing Procedure-4, "Proper Marketing Practices" (December 17, 2001). This Procedure outlines overall marketing practices for the Company, including the standards of conduct to be met by personnel in marketing, sales or customer support functions. As stated in its Response, Boeing is in the process of revising this Procedure. Boeing will provide the revised Procedure when it is finalized.

Exhibit 8: Boeing Procedure-5, "Proper Marketing Practices - Marketing to the U.S. Government" (February 11, 2002). This Procedure contains ethical conduct requirements specifically related to Boeing's marketing and sales function. Like Procedure-4, this Procedure is also being revised and will be provided when it is finalized.

Exhibit 9: Boeing Procedure-3175, "Compliance Assessment Process" (February 24, 2003). This Procedure presents Boeing's process for preventing and detecting violations of laws and regulations, including those pertaining to ethical business conduct.

Exhibit 10: Supervisors Guide: Ethics at Boeing - Commitment, Responsibilities and Resources (2000). This Guide documents the procedures that Boeing supervisors must use to brief new employees on a one-on-one basis regarding Boeing's Ethical Business Conduct Program.

Exhibit 11: Boeing Procedure-4338, "Employee Training and Development" (August 22, 2000). This Procedure outlines the responsibilities for Boeing's employee training and development functions.

Steven A. Shaw, Esq.

October 30, 2003

Page 4



Exhibit 12: Basic Procurement Integrity Course Materials. These course materials outline the legal requirements for adhering to the Procurement Integrity law, provides Boeing's policies and procedures relating to compliance, and also informs employees as to their individual responsibilities to comply with the Procurement Integrity laws.

Exhibit 13: Procurement Integrity Refresher Course Presentation – "Procurement Integrity/Use of Competitor Data." This training material provides those employees who have already received the basic Procurement Integrity training with an overview of the law, Boeing's policies and procedures for compliance, as well as the employee responsibilities for compliance.

Exhibit 14: Procurement Integrity Law – Proposal Team Briefing. This Briefing is part of mandatory training for all Boeing employees involved in the Federal procurement process and addresses such topics as Government regulations, Boeing policies, the Procurement Integrity law, the types of information covered and the risks of non-compliance.

Exhibit 15: Procurement Integrity Law and Use of Competitor Data (Briefing). This Briefing covers the Procurement Integrity law, discusses the types of information covered, reviews the risks of noncompliance and presents scenarios.

Finally, all Boeing employees are required to participate in annual "Ethics Update" training which consists of in-person group presentations and discussion.

- (2) **Periodic reviews of company business practices, procedures, policies, and internal controls for compliance with standards of conduct and the special requirements of Government contracting**

Exhibit 16: Boeing Procedure-6302, Integrated Defense System Compliance Review Board, Compliance Assessment Team and Process Action Teams" (October 24, 2003). This is the newly-issued Procedure that establishes the Compliance Review Board ("CRB") and Compliance Assessment Team ("CAST") to which Boeing committed in its Response. This Procedure ensures senior management's involvement and visibility in compliance issues to create the highest possible level of performance by IDS in the area of compliance by establishing a reliable means of studying compliance issues and trends and implementing appropriate process changes.

Steven A. Shaw, Esq.
October 30, 2003
Page 5



Exhibit 17: Boeing Procedure-3175, "Compliance Assessment Process" (February 24, 2003). This Procedure identifies and describes Boeing's process for assuring that the Company has an effective program in place to prevent and detect violations of laws and regulations, including those related to ethics. The Procedure outlines legal and regulatory Compliance Risk Areas and identifies the individuals responsible for the oversight of the risk areas.

Exhibit 18: Boeing Policy-6, "Internal Control" (November 20, 2000). This Policy defines internal control requirements for Boeing to provide reasonable assurance that operations are conducted consistent with Company values, objectives, and obligations.

Exhibit 19: Boeing Procedure-1872, "Internal Control Definition and Responsibilities" (May 29, 2002). This Procedure imposes responsibility on all managers for effective internal control, and provides internal control definitions, requirements, and responsibilities for the Company to provide reasonable assurance that operations are conducted consistent with company values, objectives, and obligations. It provides a framework to support management's efforts to establish and maintain reliable processes and effective business risk management.

Exhibit 20: Boeing Procedure-1873, "Internal Audit Responsibilities" (May 1, 2002). This Procedure documents Boeing's corporate processes related to the Internal Audit function.

Consistent with the foregoing, Boeing periodically reviews implementation and adherence to its policies and procedures. Such reviews take the form of internal and external audits and engagement of third-party assessments. In the relatively recent past, these have included the following:

Exhibit 21: Ethics Resource Center Report (April 2000). This external audit was conducted by the Ethics Resource Center, and reviewed Boeing practices against three benchmarks: The National Business Ethics Survey, The Ethics Index, and The Aerospace Index.

Exhibit 22: Carol R. Marshall, Esq. (April 2000). Ms. Marshall conducted a Review and Assessment of the Boeing Ethics and Business Conduct Program. The Review documented a comparison between Boeing's Program and industry standards for an effective ethics and compliance program and the standards articulated in "DFARS 209.406-1(a)(ii) for 'appropriate standards of ethics and integrity [that] are in place and working.'"

Steven A. Shaw, Esq.

October 30, 2003

Page 6



Exhibit 23: Howrey & Simon Review of the Space and Communications Group's Ethics and Business Conduct Program (1999). This independent review of Boeing's Space and Communications Group's Ethics and Business Conduct Program was conducted in connection with Boeing's 1996 Administrative Agreement with the Air Force.

In addition, as you are aware, Boeing recently engaged two independent outside reviews of its ethics program: (i) former Senator Warren Rudman conducted an independent review of all Boeing policies and procedures related to the treatment of sensitive or confidential competitor information and, more generally, Boeing's internal controls relating to ethics and compliance and (ii) the Ethical Leadership Group ("ELG") reviewed Boeing's general policies and procedures regarding ethics and compliance. The recently-completed ELG report was provided to you in a meeting on October 29, 2003. Boeing anticipates that Senator Rudman's review will be completed this week and Boeing will provide you with a copy of the resulting report.

- (3) A mechanism, such as a hotline, by which employees may report suspected instances of improper conduct, and instructions that encourage employees to make such reports

Exhibit 2: Boeing Procedure-3, "Ethics and Business Conduct Program" (December 20, 2001). This Procedure outlines the processes associated with Boeing's formal Ethics and Business Conduct Program outlined in Policy-2, including the corporate structure and roles, as well as education requirements for all employees. It includes a discussion of the procedures associated with the establishment of, use of and actions taken as a result of reporting to the Boeing Ethics Line.

Exhibit 24: Boeing Ethics and Business Conduct Program; Ethics at Boeing. This is a print out of information regarding the Boeing Ethics Line available to all Boeing employees on the Boeing intranet.

Exhibit 25: Ethics Advisors Handbook (July 2002, updates through June 2003). This Handbook provides Boeing's Ethics Advisors with a comprehensive guide for understanding, implementing and achieving the goals of Boeing's overall ethics program. It outlines detailed procedures for dealing with a variety of issues,

Steven A. Shaw, Esq.

October 30, 2003

Page 7

including employee access to and use of the Boeing Ethics Line, and corrective actions to be taken as a result of inquiries and reports made to the Ethics Line.



(4) Internal and/or external audits, as appropriate

Exhibit 18: Boeing Policy-6, "Internal Control" (November 20, 2000). This Policy defines internal control requirements for Boeing to provide reasonable assurance that operations are conducted consistent with Company values, objectives, and obligations.

Exhibit 2: Boeing Procedure-3, "Ethics and Business Conduct Program" (December 20, 2001). This Procedure directs the Vice President-Corporate Auditor to audit and evaluate systems and processes that monitor compliance with company policies, procedures and legal obligations. Also, under this Procedure, Boeing's Internal Audit Office conducts assessments of the status of monitoring activities in the Company to ensure compliance with Company procedures and legal obligations.

Exhibit 19: Boeing Procedure-1872, "Internal Control Definition and Responsibilities" (May 29, 2002). This Procedure documents the responsibility imposed on all managers for effective internal control, and provides internal control definitions, requirements, and responsibilities for The Boeing Company to provide reasonable assurance that operations are conducted consistent with company values, objectives, and obligations. It provides a framework to support management's efforts to establish and maintain reliable processes and effective business risk management.

Exhibit 20: Boeing Procedure-1873, "Internal Audit Responsibilities" (May 1, 2002). This Procedure outlines Boeing's corporate processes related to the Internal Audit function, and complements Procedure-1872 above.

Exhibit 9: Boeing Procedure-3175, "Compliance Assessment Process" (February 24, 2003). This Procedure identifies and describes Boeing's process for assuring that Boeing has an effective program in place to prevent and detect violations of laws and regulations, including ethics-related laws and regulations. The Procedure outlines legal and regulatory Compliance Risk Areas and identifies the individuals responsible for the oversight of the risk areas.

Exhibit 21: Ethics Resource Center Report (April 2000). This external audit was conducted by the Ethics Resource Center, and reviewed Boeing practices against



three benchmarks: The National Business Ethics Survey, The Ethics Index, and The Aerospace Index.

Exhibit 22: Carol R. Marshall, Esq. (April 2000). Ms. Marshall's Review and Assessment of the Boeing Ethics and Business Conduct Program compared Boeing's Program and industry standards for an effective ethics and compliance program with the standard articulated in "DFARS 209.406-1(a)(ii) for 'appropriate standards of ethics and integrity [that] are in place and working.'"

Exhibit 23: Howrey & Simon Review of the Space and Communications Group's Ethics and Business Conduct Program (1999). This independent review of Boeing's Space and Communications Group's Ethics and Business Conduct Program was conducted in connection with Boeing's 1996 Administrative Agreement with the Air Force.

In addition, the reviews by former Senator Rudman and the ELG (noted above) are further indicative of Boeing's willingness to engage external audits of its policies and procedures.

(5) Disciplinary action for improper conduct

Exhibit 2: Boeing Procedure-3, "Ethics and Business Conduct Program" (December 20, 2001). In addition to setting forth the Program, this Procedure prescribes that violations of the Company standards of conduct are cause for appropriate disciplinary action.

Exhibit 26: Boeing Procedure-1909, "Administration of Employee Corrective Action" (November 22, 2002). This Procedure gives an overview of potential corrective action (disciplinary) measures and outlines the overall responsibilities of operating organizations, managers and other organizations in the corrective action process.

Exhibit 27: Boeing Procedure-3661, "Managing Employee Corrective Action" (September 10, 1999). This Procedure documents the requirements and responsibilities for the management of employee corrective action (as described and outlined in Procedure-1909 above), specifically within the Space and Communications Group.

Steven A. Shaw, Esq.
October 30, 2003
Page 9



Exhibit 25: Ethics Advisors Handbook (July 2002, updates through June 2003). This Handbook provides Boeing's Ethics Advisors with a comprehensive guide for understanding, implementing and achieving the goals of Boeing's overall ethics program. It outlines detailed procedures for dealing with a variety of issues, including various courses of corrective action to take with respect to employee discipline.

- (6) **Timely reporting to appropriate Government officials of any suspected or possible violation of law in connection with Government contracts or any other irregularities in connection with such contracts**
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Exhibit 6: Boeing Revised Procedure-70, "Procurement Integrity and Restrictions on Use of Competitor Information" (August 5, 2003). This Procedure documents Company procedures related to ensuring Company-wide compliance with the Procurement Integrity Act. Among other things, the Procedure anticipates reports of possible violations of the Act or related laws to the Government.

Exhibit 28: Boeing Procedure for Voluntary Reporting of Federal Procurement Law Violations (November 1998). This Procedure outlines Boeing's procedures, policy, and criteria for voluntarily reporting potential violations of Federal procurement laws to the Government.

Exhibit 25: Ethics Advisors Handbook (July 2002, updates through June 2003). This Handbook provides Boeing's Ethics Advisors with a comprehensive guide for understanding, implementing and achieving the goals of Boeing's overall ethics program. It contemplates the potential need to disclose the subject matter of employee inquiries made to the Boeing's Ethics Line to Boeing's customers.

Exhibit 29: Boeing Lawyer's Manual (revisions of August 31, 2003). Boeing's Law Department has revised its Manual to implement improved procedures for its investigations of possible Procurement Integrity Act violations. These revised procedures require notice to the Government if a pending procurement decision might be affected.



(7) Full cooperation with any Government agencies responsible for either investigation or corrective actions

In addition to the policies and procedures listed below, and attached hereto, Boeing IDS has demonstrated its cooperation with the Government specifically pertaining to the EELV program, by turning over attorney interview memoranda for approximately 100 witness statements to attorneys supporting Boeing's June 10, 2003 submission to the Air Force, and by voluntarily signing a six-month extension agreement (through June 2004) of the statute of limitations with the Assistant United States Attorney in connection with the criminal investigation of Boeing employee conduct related to the EELV program.

Furthermore, Boeing IDS agreed to a four-month extension of the statute of limitations with the U.S. Department of Justice regarding the civil investigation of Boeing employee conduct related to the EELV matter.

Exhibit 30: Guidance to Company Employees for Responding to Government Investigative Contacts (November 1998). This Guidance, published by the Law Department, represents Boeing's policy on the presence of counsel during Government interviews with Boeing employees conducted as part of Government investigations.

Exhibit 28: Boeing Procedure for Voluntary Reporting of Federal Procurement Law Violations (November 1998). This Procedure outlines Boeing's procedures, policy, and criteria for voluntarily reporting potential violations of Federal procurement laws to the Government.

Exhibit 31: Boeing Procedure-5895, Government Examination of Financial Records of Government Contracts (December 20, 2002). This Procedure recognizes that the Government may examine financial records and data in connection with Government contracts and establishes that the Company will extend full cooperation to Government representatives.

Exhibit 32: Boeing Procedure-858, Government - Industry Data Exchange Program (GIDEP) (May 9, 2000). This Procedure sets forth Boeing's participation in and responsibilities regarding GIDEP, a Government-sponsored effort to facilitate the exchange of information, particularly regarding parts and supplier obsolescence, among Government and industry. The Procedure covers cooperation

Steven A. Shaw, Esq.

October 30, 2003


Page 11



in reporting issues with products and processes and working with specified Government agencies.

We trust that this information satisfies your request. If you have questions regarding this material, or the attachments, please do not hesitate to contact me.

Sincerely,



Steven W. Horton
Chief Counsel

SWH/kle
Enclosures

cc w/out enclosures:
Mr. George Mueller
Sr. Vice President, Air Force Systems
Integrated Defense Systems

Mr. Samuel P. Jenkins
Vice President Ethics and Business Conduct
Integrated Defense Systems

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VIA FEDERAL EXPRESS

November 7, 2003



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SAF/GCR
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Re: Boeing Revised Procedures

Dear Mr. Shaw:

As you know, The Boeing Company ("Boeing") on October 30, 2003 submitted a letter and associated exhibits in response to your request for Boeing's policies and procedures relative to Contractor Standards of Conduct found in the Defense Federal Acquisition Regulation Supplement § 203.7001.

Boeing noted in its letter that it was in the process of reviewing two of its procedures – Procedure-4, "Proper Marketing Practices," and Procedure-5, "Proper Marketing Practices-Marketing to the U.S. Government." Those revisions have now been finalized and the new Procedures 4 and 5 were issued on October 31, 2003. Revised Procedures 4 and 5 are attached hereto as Exhibits 33 and 34, respectively (to continue the exhibit numbering system in my letter of October 30).

Procedure-4 has been revised to emphasize the requirement that employees disclose any previous employment relationship with a Boeing competitor. Specifically, a provision has been inserted at subsection 2(A)(4) that requires all employees involved in a marketing or sales campaign who have had a previous employee-employer relationship within the past two years with a company that is bidding in competition with Boeing to alert their immediate supervisor to this fact and to abide by all obligations of confidentiality owed to the former employer.

Procedure-5 has been revised to describe the specific procedures that must be followed to determine the propriety of receipt and/or use of proprietary, Government or competition-sensitive information. In general, this has been accomplished throughout Procedure-5 by the insertion of more specific terms clarifying the individuals covered under this Procedure, and directing that the employee contact the

Steven A. Shaw, Esq.
Deputy General Counsel
11/7/2003
Page 2

Law Department, Ethics Office or Contracts and Pricing if there are any doubts regarding exchange of such information.

If you have any questions regarding this material, please do not hesitate to contact me.



Sincerely,

A handwritten signature in dark ink, appearing to read 'S. W. Horton', written over a horizontal line.

Steven W. Horton
Chief Counsel

SWH/cmc

cc w/o enclosures:
Mr. Samuel P. Jenkins
Vice President Ethics and Business Conduct
Integrated Defense Systems

EXHIBIT B

SUMMARY OF ENHANCEMENTS TO ETHICS/COMPLIANCE POLICIES, PROGRAMS AND PROCEDURES SINCE MAY 1, 2003

A. MANAGEMENT INVOLVEMENT

1. Establishment of Boeing Office of Internal Governance ("OIG").

- Establishment of OIG headed by a Senior Vice President who will report directly to Boeing's Chief Executive Officer and who will have responsibility for Ethics, Internal Audit, Import-Export Compliance and the Compliance Assessment Process and oversight of the International Service Contractors process, Foreign Sales Consultants and other closely-regulated matters.

2. Establishment of IDS Compliance Review Board ("CRB")
and Compliance Assessment Team ("CAST").

- Establishment of CRB, chaired by the IDS President, with membership drawn from senior IDS general management and functional area heads, which will meet quarterly to receive reports from the CAST and to address ethics/compliance issues brought to its attention.
- Establishment of the CAST, chaired by the Vice President, IDS Ethics, with membership drawn from senior representatives of IDS's businesses and functional areas, which will meet regularly and be responsible for establishing and implementing robust compliance processes and procedures by, *inter alia*, reviewing compliance-related allegations and investigations, gathering and analyzing data and developing strategies and initiatives to improve processes.
- Implementation of foregoing by issuance of new Procedure-6302.
- Amendment of new Procedure-6302 to establish mechanism to ensure prompt reporting of CRB activities to Boeing's corporate headquarters and immediate reporting of matters of concern to the General Counsel and Senior Vice President, Office of Internal Governance.

3. Consolidation of Ethics Personnel and Activities.

- Creation of a consolidated organizational structure under which all Ethics Advisors report on a solid line to World Headquarters' Vice President, Office of Ethics & Business Conduct, who in turn reports to the Senior Vice President, Office of Internal Governance.
- Consolidation of business unit budgets and incorporation of new headcount requirements into consolidated budget.

4. Boeing Code of Conduct and Employee Certification.

- Direction from Boeing Chairman and Boeing President and Chief Executive Officer to all managers that they request each employee under their supervision to read the Boeing Code of Conduct and execute an Employee Certification confirming that they understood and would comply with the Code, with instruction that no employee, including the Chairman, was exempt from this process.

5. Enhancement of Ethics Advisors.

- Commitment to enhance long-term career opportunities of Ethics Advisors, including increase in the number of Advisors, development of continuous education process, transition to full-time positions and evaluation of placement of each Ethics Advisor.

B.
INDEPENDENT REVIEWS

1. Review by Former Senator Rudman.

- Retention of former U.S. Senator Warren B. Rudman, through Paul, Weiss, Rifkind, Wharton & Garrison LLP, to review Boeing's ethics/compliance policies and procedures relating to handling of sensitive or confidential competitor information.
- Agreement to implement Rudman report recommendations.

2. Ethical Leadership Group ("ELG") Review.

- Retention of ELG to conduct a review of Boeing's policies and procedures relating to ethics/compliance generally.
- Agreement to implement ELG report recommendations.

3. Additional Review by Senator Rudman of Boeing Hiring of Government Employees.

- Re-engagement of Senator Rudman to examine Boeing's policies and procedures for recruiting, hiring and employment of Government and former Government employees.
- See Section I for details regarding implementation of report recommendations.

4. Future Outside Independent Review.

- Commitment to retain independent consultant, acceptable to Air Force, between 28-30 months after effective date of Administrative Agreement, to conduct a further review of Boeing's ethics/compliance policies and procedures and report to Air Force.

5. Law Department Independent Consultant.

- Retention of R. William Ide, III, of McKenna Long & Aldridge LLP and former President of the American Bar Association, to conduct an independent review of Law Department's investigation policies and procedures.
- See Section H.3 for details regarding retention of Mr. Ide and implementation of report recommendations.

C.

PROCUREMENT INTEGRITY-RELATED POLICIES AND PROCEDURES

1. Procurement Integrity.

- Revision and enhancement of Procedure-70, Procurement Integrity, to
 - (i) incorporate requirements for employees to comply with specified laws dealing with protection of Government and third-party information,
 - (ii) specify procedures for seeking advice/review regarding receipt of documents,
 - (iii) strengthen employee reporting requirements regarding potential Procurement Integrity Act ("PIA") violations,
 - (iv) specify that Law Department will notify appropriate level of business management of its investigation of possible PIA violations and their outcome,
 - (v) include requirement for employee certification in qualifying proposals that he/she received procurement integrity training, will comply with applicable laws and Boeing policies and has not assisted a Boeing competitor within the last three years on the same or a directly-related procurement, and
 - (iv) establish procedures to confirm compliance with legal/ethics rules following completion, and prior to submission, of proposal to Federal Government in a qualifying competitive procurement.
- Coordinated development of an audit plan by various Boeing departments to periodically and actively assess the effectiveness of procurement integrity and competitive intelligence-related policies and procedures and critical ethics/compliance program attributes.

2. 2004 Compliance Process.

- Commitment to broaden the procurement integrity Compliance Risk Area for the 2004 Compliance Assessment Process beyond PIA to include several additional specified laws dealing with protection of Government property and third-party

information – Economic Espionage/Theft of Trade Secrets Act, Stealing or Conversion of Government Property or Records Act, and Uniform Trade Secrets Act.

3. Marketing Policies and Procedures.

- Enhancement of Procedure-4, Proper Marketing Practices, to require employees who previously supported related procurement actions of a Boeing competitor to preserve the confidentiality owed to that company, and to describe proper handling of documents or information if there is doubt as to Boeing's rights to that data.
- Revision of Procedure-5, Proper Marketing Practices-Marketing to the U.S. Government, to describe the procedures to be followed to determine the propriety of receipt and use of Government, third-party proprietary or competition-sensitive information.

4. Cycle Time for Investigations.

- Initiate action to coordinate development of recommendations by various Boeing departments to reduce time for completion of investigations through identification of delays in process and potential available additional resources, benchmarking of best practices, implementation of process changes, and training of Ethics Advisors, investigators and other appropriate personnel.

5. Ethics Line.

- Increase transparency and communications regarding Ethics Line by creating a link from Ethics web page to provide additional information about Ethics Line, including more detailed explanation of Ethics Line (how it works, location(s), hours of availability, and other characteristics) such as confidentiality and anonymity of Line.
- Add an anonymous portal to the Ethics web page so that issues can be raised by anonymous e-mail.

D.
TRAINING

1. Ethics Recommitment Days.

- Held an Ethics Recommitment Day and associated training sessions on July 30, 2003, for 70,000 IDS employees with presentations and other involvement by senior management.
- Boeing commitment to hold similar Company-wide events in 2004 and, thereafter, evaluate the need for and content/format of future events.
- IDS commitment to hold similar event on annual basis.
- Other Ethics Recommitment Days held or to be held by following Boeing entities:

- Boeing World Headquarters (October 27, 2003)
- Connexion by Boeing (November 2, 2003)
- Air Traffic Management (December 9, 2003 (Bellevue, WA) and December 11, 2003 (McLean, VA))
- Boeing Commercial Aircraft (March 29 – April 30, 2004)
- Integrated Defense Systems (June 14-18, 2004)
- Boeing Capital Corporation; Connexion by Boeing, Air Traffic Management, World Headquarters (September-October 2004)

2. **Boeing Leadership Center (“BLC”).**

- Ongoing review and revision of curriculum of the core leadership programs at BLC to strengthen their existing ethics content, such review to encompass the following, among other things:
 - audit all BLC core curriculum for ethics and compliance content,
 - provide subject matter expertise to develop additional ethics and compliance content, including customized training,
 - develop integrated ethics and compliance learning experiences across the curriculum, emphasizing compliance and culture change,
 - include support of dedicated Ethics Advisor in training at BLC, and
 - include case studies and “real world” examples of ethics issues, including issues raised by Evolved Expendable Launch Vehicle (“EELV”) and Exoatmospheric Kill Vehicle (“EKV”) incidents.

3. **Team Training.**

- Develop training for competitive assessment and capture teams to ensure they receive at least the same training regarding procurement integrity as proposal teams.

4. **Revision of Training Materials.**

- Ongoing revisions of training materials and procedures in several respects, including:
 - (i) to reemphasize requirement that employees report all potential violations to the Law Department or Ethics Office,
 - (ii) to clearly delineate requirements imposed by Economic Espionage/Theft of Trade Secrets Act, Stealing or Conversion of Government Property or Records Act, and

Uniform Trade Secrets Act, and other pertinent statutes, regulations and company policies and procedures,

(iii) to cover additional requirements contained in Department of Defense regulations addressing release of procurement-related information,

(iv) to provide more customized, risk-based component to training,

(v) to emphasize group discussion rather than individual on-line training, and

(vi) to involve business unit leaders and Ethics executives in identifying "real world" business issues and in leading the training.

5. Ethical Business Conduct Guidelines.

- Revise Ethics and Business Conduct Guidelines, distribute to all employees, and include as part of training.

6. Annual Procurement Integrity Training.

- Annually emphasize Procurement Integrity Training, including "real world" examples and consequences. Procedure-70 requires annual training for employees involved in competitive Government sales.

E.

SPECIAL COMPLIANCE OFFICER

1. Special Compliance Officer ("SCO").

- Appointment of SCO to assess Boeing's implementation of the measures in the Administrative Agreement and report to Air Force, with following key characteristics included in the SCO's charter:
 - appointment subject to Air Force approval,
 - term of service to coincide with duration of Agreement,
 - prohibition against current or former employment with Boeing, current personal or financial conflicts of interest with Boeing and any personal involvement in a business relationship with Boeing in the last three years,
 - prohibition on Boeing employment or retention of SCO during and for a period of three years after expiration of term of appointment,
 - responsibility to certify Boeing's compliance with Boeing procedures for Government competitive proposals in excess of \$500 million, or provide report describing any noncompliance,

- responsibility to review and report on Boeing's significant internal investigations and disclosures to third parties,
- responsibility to monitor and assess Boeing's compliance with Agreement to ensure performance in timely and satisfactory manner,
- authority to retain and use, at Boeing's expense, professional and administrative staff reasonably necessary to fulfill responsibilities,
- access to IDS personnel, books and records related to compliance with Agreement, and
- reports on Boeing compliance to Air Force at designated period after date of Agreement and before expiration of Agreement, and reports on significant issues or incidents to Boeing management and Air Force.

F.

HIRING AND EMPLOYMENT MEASURES

1. Hiring/Employment Policies and Procedures.

- Revision to policies and procedures applicable to hiring and employment by:
 - (i) putting each new hire on notice in offer letter that he/she must not bring proprietary documents or information to Boeing and that employment offer is conditioned on offeree certifying in writing that he/she does not improperly possess confidential or proprietary information,
 - (ii) requiring each new employee, as a condition of hire, to certify that he/she (a) does not possess any proprietary documents of other companies, (b) will not attempt to obtain information from other companies except in compliance with law and Boeing procedures and (c) will not obtain or reveal any other company's proprietary information while a Boeing employee,
 - (iii) implementing a revised training module that includes a video message from Boeing's executive management emphasizing the Company's commitment to ethics, and
 - (iv) preparing a revised Intellectual Property and Confidentiality Agreement that specifically prohibits possession or use of third-party information.
- Revision of standard consultant agreement and related Procedure-13, Consultants Agreements, to subject consultants to same ethics/compliance requirements as Boeing employees and to include procurement integrity training.
- Require consultants to sign a conflict of interest form and agree to comply with Boeing Ethics and Business Conduct Guidelines.

- Revision to Procedure-91, Utilization of Contract Labor and Industry Assist Personnel, to make clear the ethics/compliance requirements by requiring such labor to sign Boeing's conflict of interest questionnaire, non-employee Code of Conduct, non-employee Ethics acknowledgement form, and view the video message from management.
- Development of line management and employee skills to encourage the congruence of behavior with company values by analyzing appropriate data inputs.

2. Former Competitor Employees.

- Commitment to coordinate implementation of a method to "track" new employees who worked for a competitor within the past three years to ensure that employee is not placed in a position that could create an appearance of impropriety, by, for example,
 - placing new hire applicant employment history online before offer is made,
 - modifying appropriate database to allow access to such information by appropriate managers,
 - requiring that managers review history before placing employee in new position.
- Development of new Procedure-6383, Hiring and Assigning Individuals Previously Employed by a Competitor-Conflict of Interest, to prohibit assignment of personnel (employees, contract labor and consultants) to qualifying proposal teams if, within the past three years, the persons worked for another company and supported preparation of a proposal in competition with Boeing that covers the same or a directly-related procurement.

3. In-Person Counseling of New Employees.

- Enhancement of new employee orientation by appropriate individual (e.g., Ethics Advisor or Orientation Specialist) to emphasize laws and Company policies governing the unauthorized possession and/or use of competition sensitive/proprietary documents or trade secrets of other companies, including new employee certifications of compliance.

4. Monitoring of Employees Who Report Ethics Concerns.

- Commitment to develop processes and procedures for monitoring and addressing retaliation concerns of employees who report significant violations as outlined in Procedure-6419.

5. Exit Interview Process.

- Review of employee exit procedures and inclusion of ethics/compliance question(s) and written reminder to exiting Boeing employee of obligation not to take or use proprietary Boeing or other Company information.

G.

EELV – SPECIFIC MEASURES

1. EELV-Specific Procedures.

- Agreement not to establish or use competitive assessment teams as part of the process of developing proposals for sale of Delta IV launch services to the United States Government in competitive procurements;
- Agreement to isolate participants in preparing new proposals for launch services to be sold to the Government from EELV ILS contract Buy I proposal team members and competitive assessment team members and from individuals who were exposed to competitive assessment data prepared by certain individuals;
- Agreement to keep anyone who worked on the Buy I proposal or who was exposed to certain competitive assessment data from participating (directly or indirectly) in preparing competitive proposals to the United States Government for launch services unless a waiver is provided by the Government customer;
- Agreement to isolate employees working on competitive proposals for the sale of launch services to the United States Government from any competitive assessment information generated by the Buy I proposal team;
- Agreement to provide additional procurement integrity training to employees working on competitive proposals to the United States Government for launch services; and
- Agreement to prohibit anyone who worked at Lockheed Martin Corporation on the Atlas Program from working on competitive proposals to the United States Government for launch services for a period of three years after that person ceased working on the Atlas Program.

H.

LAW DEPARTMENT MEASURES

1. Law Department “Stand-down.”

- Held Law Department “Stand-down” on October 1, 2003 for all Department attorneys and paralegals to train them on new PIA investigation procedures, review “lessons learned” from EELV and EKV incidents and discuss ways to modify Department procedures further to support more effectively the ethics/compliance program.

2. Law Department Investigation Procedures.

- Revision and enhancement of Law Department procedures for investigation of alleged PLA violations, including placement of key responsibility for investigative activities in senior level of General Counsel's Office.
- Revision and implementation of procedures, substantially similar to those for alleged PLA violations, for all other Law Department internal investigations.

3. Law Department Independent Consultant.

- Retention of R. William Ide, III, of McKenna Long & Aldridge LLP and former President of the American Bar Association, to conduct an independent review of Law Department's internal investigation policies and procedures.
- Agreement to implement Ide report recommendations, including
 - (i) adoption of Company-wide requirement that all alleged significant violations be forwarded to the Law Department for review and appropriate investigation,
 - (ii) creation of position of "Investigation Counsel" with responsibility for investigation of such alleged violations,
 - (iii) adoption of single, Law Department investigation procedure, and
 - (iv) creation of system for tracking status of investigations and periodic review of investigation process.

I.

HIRING OF FORMER GOVERNMENT EMPLOYEES

1. Re-engagement of Senator Rudman to Review Boeing Hiring of Government Employees.

- Review by Senator Rudman of Boeing policies and practices concerning the recruiting, hiring and employment of Government and former Government employees.
- Agreement to implement Rudman recommendations, through issuance and/or revision of procedures, as appropriate, including
 - (i) centralized oversight and monitoring of the recruitment and hiring of Government and former Government employees,
 - (ii) enhancements to hiring process for such employees to ensure timely completion of appropriate documentation and reviews,

- (iii) enhancements to system regarding reassignment of former Government employees,
- (iv) adoption of procedures to subject international hires to conflict of interest review, including application of relevant foreign law and practice, and
- (v) enhancements to training with respect to hiring of such Government and former Government employees and foreign government employees.

* * *

EXHIBIT C

SUMMARY OF BOEING LEADERSHIP CENTER CORE PROGRAM COURSE REVISIONS TO DATE

Pursuant to Boeing's ongoing review of the curriculum of its core leadership programs at the Boeing Leadership Center ("BLC"), Boeing has revised the courses to enhance their ethics content. This exhibit summarizes the revisions made to the BLC core programs to date.

Boeing has developed certain basic elements that are being incorporated into each of the programs:

- (i) Boeing's ethics policies and principles,
- (ii) the responsibilities and expected behavior of Boeing managers in relation to such principles,
- (iii) values-based decision making drawing upon Boeing's ethics principles,
- (iv) the importance of a culture of openness in resolving ethical issues,
- (v) the application of Boeing's ethics principles through real-world examples, and
- (vi) the responsibility of managers to carry Boeing's ethics principles back to their business units.

The BLC program revisions are continually evolving as the program leaders exercise their professional judgment about what is effective in each class and receive feedback from the various class attendees. In addition to the basic elements described above, Boeing has made the following enhancements to the respective core programs.

- Transition to Management:
 - Leadership video,
 - questions on ethical considerations in decision making,
 - real-world exercises addressing proper use of Company resources, proper labor charging, honesty and applicable laws and regulations, and
 - addition of ethical procedures and policies to web chat room library.
- First-Line Leadership:
 - Leadership video
 - module on holding "critical conversation,"
 - discussion of ethical situations and manager responsibilities,
 - questions on ethical considerations in decision making, and
 - session with Senior Ethics Advisor.

- Leading from the Middle:
 - Leadership video,
 - ethics module designed to address ethical ramifications of certain decisions/actions,
 - discussion of ethics module focusing on real-world ethical issues, and
 - session with Senior Ethics Advisor.
- Strategic Leadership Seminar:
 - Leadership video and
 - questions concerning values-based decision making.
- Boeing Executive Program 1:
 - Leadership video,
 - a segment on “Ethics in the News,”
 - culture of openness worksheet,
 - values-based decision making worksheet,
 - questions by team ethics officer during business simulation exercises,
 - questions on ethical considerations in decision making,
 - modification of vignettes to use real-world Boeing examples,
 - increased discussion of such real-world examples, and
 - change in format from presentation to conversation/dialogue.
- Boeing Executive Program 2:
 - Leadership video,
 - questions on ethical considerations in decision making,
 - modification of dialogue sessions to include ethical/values-based situations,
 - modification of format of ethics module presented by Ethics Executive to be conversational, and
 - focus on values-based decision making in leadership situations.

As noted above, a Leadership video is a consistent element of the course revisions. The video features the Chief Executive Officer and Non-Executive Chairman who convey a message to all levels of Boeing leaders regarding the expectations and responsibilities for proper ethical conduct, the necessity to conform behavior to comply with Company values, the value of engaging colleagues in open conversations about ethics and expected conduct, and the requirement to act with integrity.

EXHIBIT D

THE BOEING COMPANY

IMPLEMENTATION PLANS FOR RECOMMENDATIONS FROM
INDEPENDENT REVIEWS OF SENATOR RUDMAN, ETHICAL LEADERSHIP GROUP AND WILLIAM IDE

Presented to:

Steven A. Shaw
Deputy General Counsel (Contractor Responsibility)
Department of the Air Force

TABLE OF CONTENTS

	Page
I. Implementation Plan for Rudman I and Ethical Leadership Group (ELG) Recommendations	1
ELG Recommendation Numbering Convention:	
ES = Executive Summary	
EPS = Ethics Program Structure	
COM = Communication	
TRG = Training	
BIL = Boeing Ethics Line	
ASM = Assessment & Monitoring	
II. Implementation Plan for Rudman II Recommendations	36
III. Implementation Plan for Ido Recommendations	45

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>Rudman I.1. Management, at the most senior corporate and business unit levels, should place additional emphasis on the importance of ethics and compliance and should do so in a manner that reaches employees at all levels.</p>	<p>To provide additional emphasis on Ethics and Compliance Boeing has:</p> <ul style="list-style-type: none"> Established the Office of Internal Governance ("OIG"). <ul style="list-style-type: none"> Include Vice President of Ethics OIG Senior Vice President sits on Executive Council and attends Audit Committee meetings Established the Compliance Review Board ("CRB"). Established the Compliance Attainment Team ("CAST"). 	<p>OIG established 11/2003</p>
<p>ELG ES 2. Ethics Officer who reports directly to the Office of the CEO and the Audit Committee of the Board and who is a member of the Boeing Executive Council.</p>	<p>To provide broad reach across the company OIG will request all Executive Council members, through the Ethics and Business Conduct Committee, to deliver ethics messages to their organizations annually.</p>	<p>CRB and CAST established 1/2004</p> <p>2nd quarter for 2004, 1st quarter thereafter</p> <p>IMPLEMENTATION TASK: COMPLETE</p>
<p>ELG EPS 1. The Vice President of Ethics and Business Conduct should report directly to the Office of the CEO and to the Audit Committee of the Board. This would improve perceptions of independence. The Vice President of Ethics and Business Conduct should also be a member of the Executive Council.</p>	<p>(Addressed in Rudman 1.1 & ELG ES 2 Implementation tasks listed above - No new tasks required)</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman 1.2.</i> All Ethics personnel and activities should be consolidated into a single functional department within the World Headquarters operation. Ethics Advisors assigned to the company's various business units should report directly up through the Ethics Office, with "dotted line" reporting/support responsibility within the Boeing "matrix" to management of the relevant business unit. The head of the Ethics Office should have periodic access to the CEO. Overall, we believe that the visibility of the Ethics Office within the company should be elevated. We leave it to the company to determine how that is best accomplished.</p>	<p>Consolidate business unit ethics advisers into single budget for entire Ethics organization.</p> <p>Create new organizational structure for a consolidated ethics group reporting to the Office of Internal Governance in World Headquarters.</p> <p>Establish a direct reporting relationship for Ethics Advisors to Ethics Office which is within the Office of Internal Governance, which reports directly to the CEO.</p>	<p>12/2003 budget submitted</p> <p>1/2004 employees reassigned to OHG budget</p> <p>1/2004 complete</p>
<p><i>ELG ES 3.</i> A solid line reporting relationship between ethics officers/advisors in the field and divisional/corporate ethics officers.</p>		<p>IMPLEMENTATION TASK: COMPLETE</p>
<p><i>ELG EPS 5.</i> Consider solid line reporting relationships between ethics officers / advisors in the field and divisional / corporate ethics officers.</p>	<p>(Addressed in Rudman 1.2 & ELG ES 3 Implementation tasks listed above - No new tasks required)</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman I.3.</i> Boeing should:</p> <p>i) increase number of Ethics Advisors assigned to the various business units;</p>	<p>With regard to (i):</p> <ul style="list-style-type: none"> -Ethics Leadership Team to review ethics organization structure and ratio of Ethics Advisors to general employee population. -Benchmark "world class" organizational structure. -Compare "as-is" to "to-be" and identify any gaps. -Develop and implement staffing plan with appropriate resources that: <ul style="list-style-type: none"> a.) increases the number of full time Ethics Advisors available to the business units b.) establishes staff for case management and data analysis c.) assigns subject matter experts to areas of significant interest d.) defines additional statement of work, as appropriate, based on leading indicators identified through ethics data. 	<p>(i) Benchmarking 2/2004</p> <p>Staffing Strategy developed 4/2004</p> <p>Staffing plans complete</p> <p>Hiring complete 9/2004</p> <p>IMPLEMENTATION TASK: R 1.3I 90% COMPLETE</p>
<p>ii) over time, strive to replace part-time Ethics Advisor positions with full-time positions;</p>	<p>With regard to (ii):</p> <ul style="list-style-type: none"> -Evaluate current part-time staff for willingness/appropriateness of transferring to full-time WHQ employee. -Identify those Ethics Advisors transferring and account for this action in staffing plan referenced above. -Evaluate plan for international coverage by Ethics Advisors. 	<p>ii) Complete part time staff evaluation 01/2004</p> <p>full-time staff 9/2004</p> <p>Staffing plans complete</p> <p>Plan and Hiring for International 12/2004 (30% Complete)</p> <p>IMPLEMENTATION TASK: R 1.3II - COMPLETE</p>

Continued...

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman I, 3 Continued ...</i></p> <p>(ii) Undertake to ensure that Ethical is seen as a long-term career opportunity within the company.</p>	<p>With regard to (iii):</p> <ul style="list-style-type: none"> - Prepare a career development model for the Ethics organization. - Review, revise and enhance job description. - Integrate the Ethics Advisor learning model - Implement a Career development model for Ethics Advisers 	<p>(iii) Complete Job description and learning model updated 6/2004 Career development model 7/2004</p>
<p><i>ELG EPS 6.</i> Consider adding a senior professional to the corporate ethics staff, whose job description might be broad but would include some investigations oversight and analyzing information coming into the Ethics Office for use as a resource to help Boeing's business leaders understand and proactively address emerging issues and trends.</p>	<p>Add "senior professional" and associated job duties to corporate ethics staff and to Performance Evaluation (PE) and business unit site support plans.</p> <ul style="list-style-type: none"> - Performance Evaluations a standard Boeing tool to assess that employees meet job requirements 	
<p><i>ELG EPS 8.</i> Conduct a review of the ethics advisors to ensure that all who hold these positions are in fact able to meet the requirements specified, that there are enough advisors to support the operations and maintain visibility, and that they have the necessary resources to carry out these responsibilities.</p>	<p>(Addressed in Rudman I, 3i and ELG EPS 6 Implementation tasks listed above - No new tasks required)</p>	
<p><i>Continued...</i></p>		

Implementation Plan for Rudman 1, 11, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Continued...</i></p> <p>ELG REL 7. Review training procedures for Ethics Line staff to ensure that their skills and performance align with the requirements and expectations associated with their respective positions and responsibilities.</p>	<p>(Addressed in Rudman 1.3 Implementation and ELG EPS 8 tasks listed above - No new tasks required)</p>	<p>IMPLEMENTATION TASK: R 1.3H, ELG EPS 6, EPS 8, BEL 7 - COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman I, 4.</i> All new employees should, as soon after the date of hire as possible, receive specific, in-person counseling (in an individual or group setting) concerning Boeing Ethics program from an appropriate Ethics Advisor or other similarly qualified individual. Included in this counseling should be information specifically focused on the laws and company policies governing the unauthorized possession and/or use of competition sensitive/proprietary documents or trade secrets of other companies.</p> <p>In addition, as a condition of hire, each new employee should be required to sign a certification that s/he: (1) does not possess any proprietary documents (either hard copy or electronic); (2) will not attempt to obtain any materials or information except in accordance with relevant law and established Boeing procedures; and (3) will not obtain or reveal any other companies' proprietary information while a Boeing employee.</p>	<p>Update employment procedures for new hires, as well as contract labor and consultants to require:</p> <p>New Hires—Modify procedures and processes to a.) require employee certification regarding proprietary information per recommendation b.) view an update of ethics video, and c.) receive an ethics and business conduct guideline book.</p> <p>Contract Labor & Industry Analyst—Require all contract labor and industry analysts to complete and sign a.) Non-Employee Ethics Acknowledgment form, and Assigned Personnel Proprietary Information and Confidentiality Agreement, and Access the Ethics at Boeing Website to review "Ethical Business Conduct Guidelines," and view the ethics video.</p> <p>Consultants—Require each consultant to sign a conflict of interest form and agreement to comply with the Boeing Ethics and Business Conduct Guidelines.</p>	<p>Process changes for United States employees completed 9/2003</p> <p>International and Subsidiary hires completed no later than 12/2005</p> <p>Complete 5/2004</p>
	<p>In addition, Boeing will address Suppliers:</p> <p>Suppliers—Include clause in contracts with Suppliers regarding Boeing's Code of Conduct and process requiring seller to report allegations of ethical misconduct</p>	<p>Consultant changes complete 11/2003</p> <p>IMPLEMENTATION TASK: 76% COMPLETE</p>
		<p>7/2004</p> <p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman I.5.</i> The Boeing Leadership Center should prepare modules for all levels of managers and executives which provide an overview of the Boeing ethics program.</p> <p><i>ELG ES 3.</i> More focused discussion of ethics and compliance issues in the mandatory training for all new and newly promoted Boeing managers.</p> <p><i>ELG ES 8.</i> Incorporate meaningful ethics and compliance training in every appropriate course at the Boeing Leadership Center.</p>	<p>Ethics and Boeing Leadership Center to:</p> <ul style="list-style-type: none"> -Audit all Boeing Leadership Center curriculum for relevant ethics and compliance content for all levels of managers and executives. -Develop, implement, and deliver appropriate, integrated, and consistent ethics and compliance learning experiences across Boeing Leadership Center curriculum, appropriate for all levels of managers and executives. -See Exhibit C to Interim Administrative Agreement for summary of course revisions to incorporate ethics and compliance issues and training material. -Dedicate Ethics Advisor to support and participate in training at Boeing Leadership Center regarding employee case studies. 	<p>Audit complete</p> <p>BLC management courses were updated from 12/2003 through 5/2004</p> <p>All courses available 5/2004</p> <p>IMPLEMENTATION TASK: COMPLETE</p>
<p><i>ELG TRG 7.</i> Continue with the plan to strengthen and integrate the ethical leadership components of Boeing Leadership Center courses with specific focus on the roles and responsibilities of first and second line management. This should include specific discussion of their roles and responsibilities in hearing and responding to issues raised by their employees, the non-retaliation policy and what it means, as well as guidance on handling the day-to-day pressures they face to meet cost and schedule objectives.</p>	<p>(Addressed in Rudman I.5, ELG ES 5 & 8 Implementation tasks listed above. See Exhibit C to Interim Administrative Agreement for summary - No new tasks required)</p>	<p>Ethics Advisor assigned to BLC effective 3/2004</p> <p>IMPLEMENTATION TASK: COMPLETE</p> <p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman I.6.</i> Training materials, whether in the context of the Boeing Leadership Center or those available to all employees, that are addressed to ethics and compliance matters should include "real world" examples.</p> <p><i>ELG ES 7.</i> Add a more customized, risk-based component to the annual training requirement.</p>	<p>Ethics and Boeing Leadership Center to:</p> <p>Enhance training to include "real world" examples of ethics issues through coordination with Law, Learn at Boeing Council and other appropriate organizations.</p> <p>Review training to ensure emphasis on both compliance and culture change.</p> <p>Customize training using business issues/risks identified as most important by each business unit.</p> <p>Involve the business unit leaders and Ethics executives in identifying the business issues/risks, and leading the training.</p> <p>Develop and utilize brief case studies (based on business unit issues).</p> <p>See Rudman I.5, ELG ES 5 and ELG ES 8, for additional information.</p> <p>See Exhibit C to Interim Administrative Agreement for summary of course revisions.</p> <p>(Addressed in Rudman I.6 & ELG ES 7 Implementation tasks listed above - No new tasks required)</p>	<p>Begin 12/2003.</p> <p>Numerous incremental milestone dates leading up to revised courses. This will feature business and ethics leaders, and relevant case studies. This process to be completed 6/2004.</p> <p>IMPLEMENTATION TASK:</p> <p>R1.6 COMPLETE</p> <p>ELG ES 7 COMPLETE</p>
<p><i>ELG TRG 4.</i> To address the comments that ethics training is "one-size fits all", consider having two "parts" of the annual training. The first part would address messages applicable to all employees regardless of position or business - such as culture of openness, respect for others, etc. The second part could address some job- or business-specific training which targets the unique issues that may be faced by</p> <p><i>Continued...</i></p>		<p>IMPLEMENTATION TASK:</p> <p>COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations		
Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>ELG TRG 4 Continued...</i></p> <p>local groups of employees such as engineers, administrative assistants, touch labor or salaried professionals. This could be as simple as the development of 25-30 short case studies that address a variety of targeted issues. Managers could then choose the most appropriate two or three case studies to discuss with their employees as part of the overall training.</p>		

Implementation Plan for: Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations

Rudman I, 7. Boeing's ethics and procurement integrity training – including initial new employee briefings, discussions at the time of forming a new proposal or similar team, and refresher courses – should emphasize group discussion rather than individual on-line training.

Boeing's Implementation Plan

Ethics and Contracts & Pricing to take lead.

Revise PRO-70, Procurement Integrity and Restricted Use of Competitor Data, to revise training requirements, add "new hire" requirements, add Proposal Manager requirements, and add employee certification requirements, among others.

Emphasize group discussion rather than on-line training; existing training tools accommodate both group and individual on-line training.

Revise PRO-13, Consultant Agreements, to include Procurement Integrity training.

Revise PRO-5124, Proprietary Information Agreements, to strengthen process for handling third-party data.

Alert all Functional Process Council leaders of new PROs and training requirements by means of memo from Boeing VP of Contracts and Pricing.

Establish Annual Procurement Integrity Training Month, developing program in coordination with Ethics to include Procurement Integrity scenarios from actual experiences.

Timing

Update procedures (see below)

PRO-70 published 8/2003

Addressed in Compliance Training site & PRO 70

PRO 13 Published 12/2003

PRO 5124 Published 12/2003

Memo released 3/2004

Memo above establishes training month. Proposal Team Brief and Trade Secrets course included in scenarios.

IMPLEMENTATION TASK: COMPLETE

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>Rudman I, II. An "all hands" event such as Ethics Recommitment Day should be repeated, adjusting the precise content, duration and frequency as deemed appropriate.</p>	<p>Boeing business units will conduct a similar event to the Ethics Recommitment Day company-wide in 2004 and, thereafter, evaluate the need for and content and format of further events.</p> <p>IDS will conduct a similar event Ethics Recommitment Day on an annual basis.</p> <p>Recommitment Day Event Planning</p> <p>Conducting of "Recommitment Days" by business units:</p> <ul style="list-style-type: none"> -BCA Recommitment Day -ATM, IDS, Phantom Works, SSG & WDC -BCC -WHQ & CHB -SSG Make-up -BCA Challenge 	<p>Scheduling complete 4/2004</p> <p>IMPLEMENTATION TASK: COMPLETE</p> <p>Complete 4/2004</p> <p>Complete 6/2004</p> <p>7/2004</p> <p>9/2004</p> <p>10/2004</p> <p>10/2004</p> <p>IMPLEMENTATION TASK: 85% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>Rudman I.9. Each new Boeing employee who worked for a competitor within the past three years should be "tracked" for a specified period of time from that employment, to ensure that the employee and Boeing are not placed in a potentially compromising position. A "flag" should be attached to the employee's personnel file that is accessible to his business unit management, the Ethics organization, the Law Department and HR, so that changes in the employee's assignments can be assessed to ensure that the assignment is appropriate given the employment history.</p>	<p>Release new "Recruitment and Employment" procedure to provide for tracking and flagging of former competitor hires.</p> <p>Release new "Hiring and Assigning Individuals Previously Employed by a Competitor - Conflict of Interest" procedure to provide for tracking and flagging of former competitor hires.</p> <p>Revise "Utilization of Contract Labor and Industry Analyst Personnel" procedure to provide for tracking and flagging of former competitor hires.</p> <p>Implement manual process to provide managers visibility into pre-Boeing employment history</p> <p>Revise PRO-700 "Transfer of Salaried Employees," to provide for tracking and flagging of former competitor hires.</p> <p>Implement Global Staffing on-line application (OLAPP) to collect up to 7 years of pre-Boeing employment history.</p> <p>Provide ability for any manager to access pre-Boeing work history on-line (Total Access) for any Boeing employee.</p> <p>Place identification on employee badge of employees with less than 3 years since last hire.</p> <p>International sites supported by IHR&S to implement manual process noted above.</p> <p>International sites supported by IHR&S to implement badging identification noted above.</p> <p>International sites not supported by IHR&S to implement company-wide process.</p>	<p>PRO 2313 - Compl. 5/2004</p> <p>PRO 6383 - Compl. 5/2004</p> <p>PRO 91 - Compl. 5/2004</p> <p>Complete 4/2004</p> <p>PRO 700 - Compl. 5/2004</p> <p>11/2004</p> <p>6/2004</p> <p>12/2004</p> <p>Complete 5/2004</p> <p>12/2004</p> <p>12/2005</p> <p>IMPL. TASK: 70% COMPL.</p>

Implementation Plan for Rudman 1, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman 1.10.</i> Boeing should establish substantive policies that prevent employees recently employed by competitors from being placed in positions that could create an appearance of impropriety.</p>	<p>Addressed in Rudman 1.9 Implementation tasks listed above - no new tasks required.</p>	<p>PRO 2313 - Compl. 5/2004 PRO 6181 - Compl. 5/2004 PRO 91 - Compl. 5/2004 PRO 700 - Compl. 5/2004 IMPLEMENTATION TASK: COMPLETE</p>
<p><i>Rudman 1.11.</i> Before an employee can begin work on a Capture, Proposal or Blue Team, that employee should be required to certify that he/she has completed procurement integrity training, including training regarding handling of competitor's confidential information, within the past 90 days and that he/she will comply with all applicable laws and Boeing policies and procedures.</p>	<p>Contracts & Pricing to take lead. Revise Procurement Integrity training and Proposal Team Brief to expand use to Capture Teams and Competitive Assessment Teams. This includes Proposal Teams and Blue Teams. Develop new module in Procurement Integrity training for trade secrets and competitive intelligence. Add individual employee certification requirement to PRO 70; attach certification to PRO. See section D.2 of PRO 70.</p>	<p>Procedures Updated Complete 3/2004 Complete 3/2004 PRO 70 includes requirement (published 3/2004) IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman I, II</i>, Boeing should establish procedures (such as a certification process or structured legal review) to confirm compliance with legal and ethics rules following completion, and prior to submission, of a proposal to the federal government in a competitive procurement.</p>	<p>Contracts & Pricing to take lead.</p> <p>Add these close-the-loop compliance focus requirements to PRO-70.</p> <p>Proposal Manager will be required to affirm by means of a checklist at the appropriate Gate Review process that individuals on the competitive procurement proposal team have been trained; do not have protected proprietary data; and have complied with Procurement Integrity Act and Economic Espionage Act.</p> <p>Proposal review checklist will be reviewed and revised as necessary to add compliance focus parameters.</p>	<p>Procedure updated (see below)</p> <p>Updated PRO 70 -- 3/2004</p>
		<p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman I.13.</i> The recently announced Compliance Review Board in the Integrated Defense Systems unit should establish a mechanism to ensure prompt reporting of CRB activities to Boeing's corporate headquarters. It is essential that, however the CRB is composed, there must be a mechanism for immediate reporting to the General Counsel and VP-Ethics on matters of concern.</p>	<p>Ethics to take lead.</p> <p>Amend PRO-6302, Integrated Defense System Compliance Review Board, Compliance Assessment Team and Process Action Team, to implement recommendation.</p> <p>Provisions of procedure require:</p> <p>Assistant General Counsel (IDS) and Vice President Ethics (IDS) required to submit reports on each CRB meeting to Boeing General Counsel and Boeing VP Ethics, respectively.</p> <p>-Provide copies of presentations, reports, and minutes within five (5) days of completed CRB meetings to Sr. VP of OIG and Boeing General Counsel.</p> <p>Report items of significance, such as executive misconduct and fraud that occurs between scheduled meetings to OIG and General Counsel.</p> <p>Report alignment with Compliance Management Oversight Program ("CMOP") with particular emphasis on Compliance Assessment Process ("CAP").</p> <p>Communicate Best Practices enterprise-wide per PRO 6302</p>	<p>Procedure implemented 1/2004</p> <p>Quarterly, beginning first quarter 2004</p> <p>As required</p> <p>As required</p> <p>IMPLEMENTATION TASK: COMPLETE</p> <p>Methodology in work</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman I, II.</i> Responsibility for ensuring the thorough, accurate and expeditious investigation and resolution of all incidents involving the unauthorized possession or use of third-party or USG competition sensitive/proprietary information should rest with senior levels of the Boeing General Counsel's Office.</p>	<p>The Law Department has drafted a new procedure entitled, "Investigation Procedure: Potential Procurement Integrity & Third Party Proprietary Data."</p> <p>New procedure extends beyond procurement integrity issues to investigate one of unauthorized possession or use of third-party proprietary data.</p> <p>Responsibility for day-to-day management and ultimate resolution of these matters will be vested at the highest levels of the Law Department, not at the individual business units.</p> <p>The AGC-Litigation is responsible for staffing, outside counsel retention and related resource decisions.</p> <p>Litigation attorney will be "Investigation Lead," responsible for preparing/implementing investigation plan and submitting final report.</p> <p>Once a formal investigation has been commenced, business unit attorneys may have a consultative role but will not have responsibility for the direction of the investigation or its conclusions.</p> <p>The General Counsel or AGC-Litigation will be responsible for determining how to brief corporate management and the subject business unit management on the existence, progress and conclusion of formal investigation.</p>	<p>Complete 9/26/2003</p> <p>The Law Department retained William Ide to conduct an independent assessment of the Law Department's investigation procedures, and has reviewed Mr. Ide's resulting report. The Law Department is in the process of implementing Mr. Ide's recommendations.*</p> <p>*See Ide Implementation Plan (p.45 <i>et seq.</i>)</p> <p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman 1.15.</i> At appropriate intervals, Boeing's Audit group should conduct an assessment of the effectiveness of the various new policies and procedures adopted to address procurement integrity issues in general and issues relating to procurement and use of third-party documents in particular. Such an inquiry should include an examination of, <i>inter alia</i>: (1) general compliance with laws and policies governing third-party documents; (2) compliance with relevant training and certification policies; (3) compliance with "cooling-off" periods for ex-employees of competitors; and (4) the effectiveness of new company procedures for addressing potential third-party document violations.</p>	<p>Boeing's offices of Internal Audit, Ethics and Contracts and Pricing will work together to develop an audit plan to periodically assess critical procurement integrity and competitive intelligence-related policies and procedures as identified in this recommendation.</p> <p>Ethics and Internal Audit to work together to develop audit plan to periodically assess critical Ethics program attributes generally.</p>	<p>11/2003 Identified critical attributes and methods for evaluation, including timing of audits.</p> <p>12/2003 Presented draft annual ethics audit plan to General Auditor and VP-Ethics.</p> <p>01/2004 Began first quarter audit per plan.</p> <p>Annually update audit plan based on current year experience.</p>
<p><i>ELG ASM 2.</i> Add ethics and compliance dimensions to Audit Plans</p>	<p>(Addressed in Rudman 1.15 Implementation tasks listed above - No new asks required)</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>

Continued...

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Continued from previous page</i></p> <p>ELG ES 14. Explore ways in which Ethics might be audited on an on-going basis.</p> <p>ELG EPS 7. Incorporate an audit of the systems, links and responsibilities of the Ethics and Business Conduct Office in Audit Plans. Audit will especially want to examine training / certification documentation, and ensure that confidentiality and independence safeguards are in place throughout the investigative process.</p> <p>ELG REL 3. Consider conducting an audit of the Ethics Line policies and procedures to ensure that issues involving confidentiality have not been violated, regardless of the reason(s) or source of a leak. We recommend this only because many employees "cited" evidence of breaches of confidentiality. These are often not founded, but it is key to the credibility of the program and it is good to communicate that an audit has been done.</p> <p>ELG ASM 3. Have internal audit review and audit the ethics / compliance function every year or two.</p>	<p>(Note: ethics survey resulting from support to Rudman 1.15 also supports ES 14)</p> <p>Develop Audit Plan and determine timing of audit.</p> <p>Conduct audit of Ethics including areas outlined in ELG EPS 7 and ELG BEL 3.</p>	<p>12/2004 (Preliminary)</p> <p>12/2005 (Preliminary)</p>
		<p>IMPLEMENTATION TASK: 0% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<i>Rudman I.16.</i> The Ethics program, including its interaction with the business units and with other organizations within Boeing, should be subject to ongoing scrutiny, examination and, possibly, further reorganization.	Draft third-party reviews statement of work for audit approximately 20-28 months from ELG review. See responses to Rudman I.15, ELG ES 14 and ELG EPS 7.	SOW for 3 rd party 6/2004 7/2004
<i>ELG ES 1.</i> Strengthened Ethics and Business Conduct Committee.	Establish quarterly reviews between Ethics and Business Conduct Committee and Boeing CEO to strengthen their involvement with the Ethics program.	IMPLEMENTATION TASK: COMPLETE Complete 4/2004 IMPLEMENTATION TASK: COMPLETE

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
ELG AS 4. Assess behavior of line management in the field to ensure congruence with values.	<p>Analyze management data from :</p> <ul style="list-style-type: none"> Multiple Viewpoint surveys Employee Survey Ethics Case Data 	Analysis - 5/2004
	<p>Make recommendations for changes to Employee Survey, Multiple Viewpoint, Employee curriculum, Performance Evaluation and the Corrective Action guidebook based on results of analysis to ensure that line management is evaluated against values.</p>	<p>Document recommendations for change - 6/2004</p> <p>IMPLEMENTATION TASK: 95% COMPLETE</p>
	<p>Implement recommendations to the referenced instruments.</p>	<p>Updates to referenced instruments during established review and update cycles.</p> <p>1/2005</p> <p>IMPLEMENTATION TASK: 50% COMPLETE</p>

Continued...

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Continued from previous page</i></p> <p>ELG ASM 1. Ensure that performance appraisal and incentive processes / plans adequately take into account ethical performance.</p>	<p>Develop standardized data threads (indexes between instruments (including Performance Evaluation)).</p> <p>Develop standardized compliance assessment to review annually.</p> <p>Develop behavioral anchors for Performance Evaluation integrity value.</p> <p>Enhance Performance Evaluation guidelines to assist with performance discussions, including ethics performance.</p> <p>Determine consequence for areas (individuals) identified as below expectation on ethical performance.</p> <p>Propose enhancements to Performance Evaluation guideline to assist managers with performance discussions regarding ethical behavior and demonstration of ethical values.</p>	<p>IMPLEMENTATION TASK: 35% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>ELG ES 6. In revising the Ethical Business Conduct guidelines, distribute to all employees as part of a comprehensive roll-out, and include as a prominent and mandatory part of all new employee orientations.</p>	<p>Shared Services Group and Ethics to work together to finalize the development of the Ethical Business Conduct Guidelines.</p> <p>Distribute to all current employees at their homes.</p> <p>Distribute to all new hires as part of orientation.</p>	<p>Distribution complete for all Boeing employees 4/2004</p> <p>Available to U.S. new hires 4/2004; available to foreign employees and subsidiaries no later than 9/2004</p>
<p>ELG COM 1. We note that Boeing is already in the process of updating the <i>Guidelines</i>. We recommend that these modifications result in a simpler and shorter code, and incorporate the NYSE proposed Listing Requirements, the Sarbanes-Oxley Act requirements, the SEC implementation of the Sarbanes-Oxley Act and the best practices of the Defense Industry Initiatives as noted in Appendices 3, 4 and 5. The specific recommendations were noted above. While there are a number of legal requirements highlighted here, we strongly endorse Boeing's approach to deliver this information in a "value-added" and understandable way.</p>	<p>Review Guidelines to identify any gaps between Guidelines and legal requirements identified in recommendation. Develop Update to Guidelines Supplement.</p> <p>Build regular plan for ongoing updating of Guidelines.</p>	<p>IMPLEMENTATION TASK: COMPLETE</p> <p>7/2004</p> <p>9/2004</p>
<p>ELG COM 2. The newly revised <i>Guidelines</i> should be printed, distributed to all employees as part of a comprehensive roll-out, and included as a prominent and mandatory part of all future new employee orientations.</p>	<p>(Addressed in ELG ES 6 Implementation tasks listed above - No new tasks required)</p>	<p>IMPLEMENTATION TASK: 40% COMPLETE</p> <p>IMPLEMENTATION TASK: COMPLETE</p>

Continued...

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<i>Continued...</i>		
ELG COM 3. Many participants did not know how to access the Guidelines. This should be addressed.	(Addressed in ELG ES 6 Implementation tasks listed above - No new tasks required) (Guidelines distributed and available on Ethics website)	IMPLEMENTATION TASK: COMPLETE
ELG COM 4. Make increased use of other communications vehicles (e-mail, posters, intranet, cafeteria tent cards, etc.) to remind people where they can find the Guidelines and what they contain.	Communication vehicles for Guidelines include mailings, Ethics website and posters which direct employees to the website.	IMPLEMENTATION TASK: COMPLETE
ELG COM 6. Post the revised Guidelines on www.boeing.com , the public internet site.	Guidelines are available on Boeing's Ethics website.	IMPLEMENTATION TASK: COMPLETE

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>ELG ES 9. Reduce the cycle time of investigations, probably through a combination of training, process streamlining, and increased accountability.</p>	<p>Ethics to review recommendation with investigative resources, as well as with HR, EEO, Security, Quality, Audit and Legal, in order to do following:</p> <p>Benchmark best practices for investigations,</p> <p>Review data to evaluate where investigation process is subject to delays,</p> <p>Redefine processes and "working together" agreements,</p> <p>Determine resources required to improve cycle time,</p> <p>Review Ethics Advisor handbook process for managing life cycle of a formal matter,</p> <p>Implement process changes, and</p> <p>Update reporting/visibility as required and provide appropriate training.</p>	<p>Developed target cycle time for life cycle of formal matters 12/2003</p> <p>Established action team 3/2004</p> <p>Completed process analysis 4/2004</p> <p>Develop recommendations and plan for improvement 5/2004</p> <p>Implement changes 6/2004</p> <p>Conduct training - 9/2004</p> <p>IMPLEMENTATION TASK: 95% COMPLETE</p>
<p>ELG BEL 2. Conduct an assessment of the internal investigative processes to determine why the average cycle time for case closure is so high and what can be done to ensure timely review of issues raised.</p>	<p>(Addressed in ELG ES 9 Implementation tasks listed above - No new tasks required)</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>ELG ES 10. Increase transparency and communication on Ethics Line processes, including publicizing anonymized outcomes.</p>	<p>Ethics to create a web page link from the Boeing Ethics web page to include the following:</p> <ul style="list-style-type: none"> a) Explanation of the Boeing Ethics Line, how it works, where it is located, expectations of usage, hours available for live conversations, off-hour instructions, international connections, special connections for the blind, anonymity and confidentiality and other characteristics. b) Quarterly publication of ethics summary case activity through the Ethics website (in manner to protect anonymity). 	<p>12/2003 Content decided, budget approved.</p> <p>02/2004 Web page launched; roll-out communicated through Boeing News</p> <p>First quarterly review held 4/2004 & results reported</p> <p>IMPLEMENTATION TASK: COMPLETE</p>
<p>ELG REL 1. Consider preparing information for all employees that explains the Ethics Line process and what happens when a call comes in. Describe the systems that ensure anonymity and discuss confidentiality. Explain the investigative process. To encourage faith in the efficacy of the Ethics Line consider "advertising" generic or modified cases in which there would be no possibility of the employee's privacy being violated but which produced a positive outcome for the employee caller and for the company.</p>	<p>Develop guidelines & process</p> <p>First release to employees</p>	<p>8/2004</p> <p>9/2004</p> <p>IMPLEMENTATION TASK: 20% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>ELG ES 11.</i> Monitor "whistleblowers" for possible retaliation for two to three years following the reporting of an incident.</p>	<p>Establish the definition for "Whistleblower."</p>	<p>Definition 4/2004</p>
	<p>Develop processes and procedures for identifying whistleblower cases and define processes and procedures for monitoring those individuals identified as whistleblowers for a three year period.</p>	<p>Processes and procedure estimated completion date for all process work 7/2004</p>
	<p>Implement new monitoring processes and procedures.</p>	<p>Process implementation 10/2004</p>
<p><i>ELG BEL 4.</i> Consider implementing and publicizing a process to monitor for retaliation. For example, a representative from the ethics office could be assigned to meet with the caller after performance review, or assigned to review files. Further, you may also want to consider tackling the fear of retaliation issue "head-on". Some vignettes could be included in future training that address the issue and provide the opportunity for employees and their managers to discuss these concerns in the less threatening training environment.</p>	<p>See response to ELG ES 11. "Training managers on the new Whistleblower Monitoring Process scheduled for September 2004 to coincide with ICA Recommendation Training and Law Pro-6419 training."</p>	<p>9/2004</p>
		<p>IMPLEMENTATION TASK: 85% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>ELG ES 12. Complete a full evaluation of contracting with an outside third party to handle calls that rollover during the daytime hours and provide live coverage for the evenings and weekends.</p>	<p>Ethics to:</p> <p>Determine need for third-party services for rollover and weekend coverage through benchmarking and discussions with third-party service providers.</p> <p>Prepare and implement rollover plan.</p>	<p>Analysis complete 3/2004</p> <p>Roll-over recommendations implemented 3/2004</p> <p>IMPLEMENTATION TASK: COMPLETE</p>
<p>ELG REL 5. Complete a full evaluation of contracting with an outside third party to handle calls that roll-over during the daytime hours and provide live coverage for the evenings and weekends. Offering 24x7 coverage is a good marketing tool, even if only 5% of callers (the current norm) take advantage of it. Given the number of employees who work on second and third shift at Boeing, this would provide a live person for them to speak with during their work hours. It also offers employees the possibility of an outside contact for those who, for whatever reason, do not trust internal employees. These services are now extremely reasonable in cost. This could also address some of the international caller concerns with full time coverage. As well, a number of the established providers offer multi-lingual service. ELG considers the current Boeing practice of answering the phone internally during business hours a best practice and does not recommend outsourcing the function in its entirety.</p>	<p>(Addressed in ELG ES 12 Implementation tasks listed above - No new tasks required)</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations

ELG ES 13. Include ethics/compliance question in exit interview process.

Boeing's Implementation Plan

Shared Services is undertaking a complete review of the exit process, including the addition of the following two questions or similar types of questions:

- (i) "How do you view integrity and ethics as part of our business culture here at The Boeing Company?" and
- (ii) "Did you feel (or would you have felt) comfortable in reporting unethical conduct, and if you ever did report an issue, did you feel that the issue was addressed and that you were treated fairly?"

Update exit interview process for voluntary and involuntary terminations.

Update exit interview process for international sites supported by IHR&S.

Update exit interview process for international sites not supported by IHR&S.

Update exit interview process for domestic subsidiaries.

Complete

Complete

12/2005

Complete

IMPLEMENTATION TASK:
98% COMPLETE

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>ELG EPS 2. Evaluate the effectiveness of the Ethics and Business Conduct Committee and consider modifying the make-up of the Committee. Best practice programs include the following individuals on this committee: CEO, CFO, General Counsel, Senior Human Resources Officer, Senior Audit Officer, and several heads of business units (who often rotate, depending on the number of business unit heads.) Depending on the company's culture, risks, and operating structure, others named include heads of security, privacy, and environment/health/safety.</p>	<p>Evaluated current processes and have found current Office of Internal Governance participation with Ethics and Business Conduct committee fulfills the intent of this recommendation.</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>
<p>ELG EPS 3. Consider adding a board member, probably the Chair of the Audit Committee, to the Ethics and Business Conduct Committee. This is an emerging best practice.</p>	<p>Executive VP of Office of Internal Governance, a member of the Executive Council and the Ethics and Business conduct committee, regularly attends the Audit Committee meetings, which provides the necessary linkage between Ethics and the Audit Committee.</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>ELG EPS 4. Create a charter for the Ethics and Business Conduct Committee. Conduct regular meetings. Keep minutes.</p>	<p>Create Charter for Committee.</p> <p>Continue with regular meetings of the Committee.</p> <p>Implement practice of keeping meeting minutes.</p>	<p>Complete</p> <p>Ongoing</p> <p>Complete</p> <p>IMPLEMENTATION TASK: COMPLETE</p>
<p>ELG EPS 9. Ensure that ethics executives have the appropriate security clearances to enable them to review the facts of an investigation involving classified programs.</p>	<p>Identify current security clearance status of ethics executives and assess sufficiency.</p> <p>Prepare plan for cases when Ethics clearances don't suffice to review investigations involving classified programs.</p>	<p>6/2004</p> <p>7/2004</p> <p>IMPLEMENTATION TASK: COMPLETE</p>
<p>ELG COM 5. Consider implementing an annual certification process, whereby all employees attest that they have received and read the <i>Guidelines</i>, promise to abide by them, and understand their obligations to report wrongdoing.</p>	<p>Implement annual Code of Conduct certification process which has several elements, including a requirement that "without exception employees with comply with all applicable laws, rules and regulations" and "that they promptly report any illegal or unethical conduct." This certification process meets the intent of ELC COM 5.</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>
<p>ELG COM 7. Change the title of the document to something other than <i>Guidelines</i> to ensure that it is not interpreted as optional.</p>	<p>Ensure annual Code of Conduct certification process makes clear <i>Guidelines</i> are not optional.</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>ELG COM 8. While we have no specific recommendations regarding ways to increase the opportunities for face-to-face communications between employees and all levels of their management, this type of personal communication is needed and very "wanted" by the employees we met with.</p>	<p>Employee communication addressed in various Rudman & ELG Implementation tasks. For example, communication is referenced by responses to Rudman 1.4, 1.7, 1.8, 1.12, ELG ES 6, ELG COM 2, ELG TRG 1, 2, and 3. - No new tasks required</p>	<p>IMPLEMENTATION TASK: COMPLETE</p>
<p>ELG TRG 1. Consider pilot testing of training ideas with focus groups of employees from a cross-section of the company to get their feedback and suggestions. Consider involving union leadership in this process. They will give you the "straight scoop" and will be more supportive when you roll it out knowing that they were heard and had input into the process.</p>	<p>Pilot test training ideas with employee focus groups. Meet with Society of Professional Engineering Employees in Aerospace (SPEEA) to get their input on training ideas. Incorporate comments of focus groups and SPEEA into training materials, as appropriate.</p>	<p>Complete 4/2004 Complete 7/2004 8/2004 IMPLEMENTATION TASK: 50% COMPLETE</p>
<p>ELG TRG 2. Consider building a process for employees to provide feedback to the ethics office about the training they just received. It could be done on-line as part of the certification process.</p>	<p>IDS create Recommitment and Challenge feedback forms for employees. IDS collect feedback re: Ethics Recommitment and Challenge. Coordinate feedback process with other Business Unit Reps for their Recommitment/Challenge Events. Feedback rolled up to Ethics office to inform future Ethics training</p>	<p>Complete 6/2004 Complete 7/2004 10/2004 11/2004 IMPLEMENTATION TASK: 40% COMPLETE</p>

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Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations

Boeing's Implementation Plan

Timing

Continued from previous page

ELG TRG 3. Consider adding employees who are not advisors to the Ethics Learning Team which develops the all-employee training so that they can contribute their perspectives on the issues facing employees and the business. This could help identify the best ways to reach folks with the messages.

Ethics executives select Business Unit representatives for Learning Team.
Implement quarterly Focus Groups with Business Unit and Functional Rep's.
Ethics Learning Team conducts Focus Groups to elicit ideas and feedback for ethics training.

10/2004
11/2004
11/2004 - ongoing
**IMPLEMENTATION TASK:
20% COMPLETE**

ELG TRG 6. The Ethics and Business Conduct Office may consider taking a larger role in coordinating all of the compliance training that is being developed by the different Process Teams to ensure consistency of application and find the synergies which could save time and money. Regardless, we do recommend that the current CAP matrix of ethics and compliance training requirements for all employees across the Enterprise be expanded to list employees and job functions specified by each business unit and followed to ensure consistency in selection of employees and the application of training requirements. Completion of the required courses should be tracked by person and audited.

Define high level process requirements to better manage enterprise-wide compliance training partnering with OIG and the training organization.
Sponsor approve (OIG/Training)
Build system to identify employee compliance training requirements and to track completion.
Implement (Final specifications may impact implementation date)

Complete
Complete
12/2004
1/2005

**IMPLEMENTATION TASK:
30% COMPLETE**

Current practices satisfy this requirement.

ELG BEL 6. Provide regular feedback and status to callers, even if they cannot be told much about the disposition of their call and even if the review of their issues is not complete.

**IMPLEMENTATION TASK:
COMPLETE**

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>ELG BEL 8. Ensure that all ethics advisors do not have caller ID on the phones they use to receive ethics calls. This may necessitate adding a separate phone line for site ethics officers apart from their regular business line. If this is available, ensure that employees are aware of the separate phone line.</p>	<p>Identify SSG focus to support disabling caller ID on all Ethics Advisor telephones used to receive ethics calls from employees.</p> <p>Communicate to EBC requirement to disable caller ID from EBC phones.</p> <p>Implement process to disable caller ID.</p> <p>Confirm caller ID disabled on all Ethics Advisor telephones used to receive ethics calls from employees.</p>	<p>Complete</p> <p>8/2004</p> <p>10/2004</p> <p>10/2004</p> <p>IMPLEMENTATION TASK: 30% COMPLETE</p>
<p>ELG BEL 9. Consider developing and delivering a management-level information and training session regarding the Ethics Line process. The session could provide more detailed information about how the process works and the types of issues that are addressed. The session should also include a specific discussion of their responsibilities in responding to an employee's issues when it is raised to them as well as specific information about retaliation and how they should respond during an ongoing investigation. Managers also need to be aware of the potential criminal sanctions provided in the Sarbanes-Oxley Act for retaliation against whistleblowers.</p>	<p>Develop materials & training that address recommendation for inclusion in Manager's Toolkit.</p> <p>Include materials & training in Manager's Toolkit, which becomes the management level information resource.</p>	<p>12/2004</p> <p>12/2004</p> <p>IMPLEMENTATION TASK: 10% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>ELG BEL 10. Consider a review and evaluation of processes for employees located outside the United States to call for guidance or report wrongdoing.</p>	<p>Conduct country / regional assessment of process for overseas employees to call for guidance or to make reports of alleged wrongdoing.</p>	<p>7/2004</p>
<p>ELG TRG 5. Given that several executives we spoke with expressed concerns with the level of knowledge possessed by those marketing to customers outside the United States, consider specifically developing a training module for individuals working internationally which includes awareness of potential issues and resources that they can call.</p>	<p>Recommend operational model for such process.</p> <p>Build detailed implementation schedule for process.</p> <p>Implement plan, including hiring Int'l Ethics Advisors for overseas locations.</p>	<p>7/2004</p> <p>7/2004</p> <p>12/2004</p>
<p>ELG BEL 11. Consider conducting a more detailed employee survey about the Ethics Line, its usage, effectiveness, and customer satisfaction for further feedback.</p>	<p>Include metrics on employee satisfaction with Ethics Line in the BBC management control systems dashboard.</p> <p>Develop criteria and method for soliciting feedback & reviewing results from employees (i.e. email questionnaire).</p>	<p>IMPLEMENTATION TASK: 35% COMPLETE</p> <p>8/2004</p> <p>10/2004</p> <p>IMPLEMENTATION TASK: 40% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman 2.1.</i> Boeing should establish a system for centralized oversight and monitoring of the recruitment and hiring of government personnel, including executive hires.</p>	<p>Global Staffing, through company's Shared Services division, will be responsible for oversight and monitoring of the process for hiring former government employees.</p>	
	<p>Issue PRO 2313: Recruitment & Employment to provide Global Staffing with sole authority for employment operations, and outline accountability and responsibility for all company organizations involved in the hiring and recruiting process</p>	<p>PRO 2313 – Compl. 5/2004</p>
	<p>Revise PRO 4825: Recruiting and Hiring of Current and Former USG Employees to ensure that Boeing complies with all applicable laws and regulations.</p>	<p>PRO 4825 – Compl. 5/2004</p>
		<p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman 2.2.</i> Further safeguards are needed early in the hiring process to ensure that USG officials under consideration for employment have filed appropriate disqualification notice statements.</p>	<p>Establish documented disqualification notice and certification process for USG applicants who have referenced Boeing-related work on the COI questionnaire. Certification will include confirmation that a disqualification notice has been filed, and that no employment discussions transpired prior to the disqualification notice. Hard copy of disqualification notice will be collected and maintained in essential record file.</p> <p>Legal review of COI questionnaires when required to assess need for disqualification notice. COI legal review documentation will specify whether disqualification is or is not warranted, and whether disqualification issues have been addressed. Revised COI Questionnaire to include monitoring designations, confirmation of legal review.</p> <p>PRO 4825: Recruiting and Hiring of Current and Former USG Employees, to be revised to define process relating to disqualification notice statements.</p> <p>Revised PROs and COI Questionnaires communicated across enterprise</p> <ul style="list-style-type: none"> - PRO 2313 - Recruitment & Employment - PRO 4825 - Recruiting & Hiring of Current & Former USG Employees 	<p>Complete 5/2004</p> <p>Complete 5/2004</p> <p>PRO 4825 - Compl. 5/2004</p> <p>PRO 2313 - Compl. 5/2004</p> <p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman 2.3.</i> The COI review process conducted by the Boeing Law Department needs to be based on more complete information, conducted in a more uniform manner and integrated more fully into the hiring process.</p>	<p>New Employee records for all Boeing Employees except International and Subsidiaries to be electronically updated based on results of COI review, including monitoring through end date for those individuals requiring ongoing monitoring.</p> <p>Subsidiaries and International Implementation</p> <p>Current Employee records requiring ongoing monitoring will be updated (in the system with a manual process).</p> <p>PRO 2313: Recruitment and Employment, PRO 4825: Recruiting and Hiring Current & Former Government Employees, and PRO 91: Utilization of Contract Labor and Industry Assist, to incorporate COI and legal review requirements with specific responsibilities for Law Department participation.</p> <p>Revise PRO-700: Transfer of Salaried Employees.</p> <p>In addition, see response to Rudman 2.2 above that addresses legal review of COI questionnaires.</p>	<p>8/2004</p> <p>12/2005</p> <p>Complete 5/2004</p> <p>PRO 2313 – Compl. 5/2004</p> <p>PRO 4825 – Compl. 5/2004</p> <p>PRO 91 – Compl. 5/2004</p> <p>PRO 700 – Compl. 5/2004</p> <p>IMPLEMENTATION TASK: 55% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman 2.4.</i> The Boeing offer letter to prospective government and former government hires should be used as a central point of control, and no offer letter should be issued until all of the COI documentation needed to support the hire has been compiled and reviewed.</p>	<p>Global Staffing and Employment given sole authority to extend offer for employment, including executive hires, to establish central point of control.</p> <p>All documentation, as defined in Rudman 2.1 – 2.3 above (including application, COI documentation, legal review documentation, disqualification notice as necessary, etc.) must be complete before interview/employment discussion begin.</p> <p>PRO 2313: Recruitment and Employment, and PRO 4825: Recruiting and Hiring of Current & Former Government Employees, to be revised to reflect requirements related to issuance of offer.</p> <p>Implement international sites supported by IHR&S.</p> <p>Implement international sites not supported by IHR&S.</p>	<p>Complete 5/2004</p> <p>Certification statements and Checklist in place 5/2004</p> <p>PRO 2313 – Compl. 5/2004</p> <p>PRO 4825 – Compl. 5/2004</p> <p>Complete 5/2004</p> <p>12/2005</p>
		<p>IMPLEMENTATION TASK: 80% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Rudman 2.5.</i> Company-wide procedures should be introduced to ensure that appropriate COI reviews are conducted before former government employees change position or responsibilities within Boeing.</p>	<p>On line work history enhanced to include Conflict Of Interest (COI) status visibility to Global Staffing and management.</p>	<p>8/2004</p>
	<p>Company procedures will require that employee electronic records have been checked to determine if a COI flag exists prior to reassignment.</p>	<p>Complete 5/2004</p>
	<p>Executive processes and other placements/hires outside of Boeing Enterprise Staffing System (BESS) will incorporate COI flag. Managers and Human Resource Generalists (HRG) to check employee records in adhoc reporting system.</p>	<p>Work history Visibility 8/2004</p>
	<p>PRO 700: Transfer of Salaried Employees, revised to include monitoring requirements for internal transfers (including both BESS and non-BESS placements). Clear roles and responsibilities will be defined for managers, HR, and Global Staffing to ensure requirements for COI review complete before transfer.</p>	<p>Complete 5/2004</p>
	<p>Legal review will be undertaken in all cases in which a COI flag arises.</p>	<p>Complete 5/2004</p>
	<p>Place identification on employee badge of employees with Ongoing Monitoring status including International sites supported by IHR&S.</p>	<p>12/2004</p>
	<p>Place identification on employee badge of employees with Ongoing Monitoring status including International sites not supported by IHR&S.</p>	<p>12/2005</p>
		<p>IMPLEMENTATION TASK: 70% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>Rudman 2.6. Record-keeping and data-gathering with respect to COI matters should be enhanced.</p>	<p>Central Storage of hire and reassignment documentation through Global Staffing for both</p> <ul style="list-style-type: none"> - (1) All Boeing Employees except International and Subsidiaries - (2) International and Subsidiary Employees <p>-February 2004 batch of code of Conduct forms scanned and loaded to PRJ -</p> <p>-Mandatory use of Staffing checklist for new/retires</p> <p>-Process agreed to with Legal for COI reassignment documentation to ensure inclusion in personnel file</p> <p>-Draft complete for reconciliation process to identify and obtain missing documents in personnel files</p> <p>-Approved final reconciliation process to identify and obtain missing documents in personnel files</p> <p>-Complete employees' personnel files scanned and loaded in PR</p>	<p>9/2004</p> <p>12/2005</p> <p>Complete 5/2004</p> <p>Complete 6/2004</p> <p>Complete 6/2004</p> <p>7/2004</p> <p>9/2004</p> <p>9/2004</p>
	<p>Procedures should be devised so as to permit periodic generation of data – preferably in a form that can be broken down by business division, unit, and site – concerning 1) how many of those hires have undergone COI reviews 2) how many of those hires have been assigned COI flags 3) how many flagged employees have changed positions during a given period 4) how many of those flagged employees have undergone updated COI reviews by the Law Dept.</p>	<p>IMPLEMENTATION TASK: 25% COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p>Rudman 2.7: International hires should be subject to COI review procedures that assess any foreign government experience, including the application of relevant foreign law and practice.</p>	<p>COI questionnaire (including all revisions to questionnaire and process) integrated into international hiring process</p> <ul style="list-style-type: none"> International sites supported by IHR&S International sites not supported by IHR&S <p>Focal point defined in Law Department to oversee international hiring of individuals who have foreign government experience.</p> <p>Legal review undertaken of each hire in conjunction with local international counsel</p> <ul style="list-style-type: none"> International sites supported by IHR&S International sites not supported by IHR&S <p>Centralized file maintained by IHR&S, in addition to all other documentation referenced in prior responses, to include documentation from local and company counsel review for sites supported by IHR&S.</p> <p>Partnership between HR Services – Central Records and International HR focal to ensure appropriate collection of all documentation and data.</p> <p>PRO 2313: Recruitment and Employment, and PRO 4825: Recruiting and Hiring of Current & Former Government Employees to reflect requirements relating to Int'l Hires.</p> <p>Incorporate Executive Hiring into existing IHR&S International Hiring Process.</p> <p>Incorporate Executive Hiring into sites not supported by IHR&S.</p>	<p>Complete 12/2005</p> <p>Complete</p> <p>Complete 12/2005</p> <p>Complete</p> <p>12/2005</p> <p>PRO 2313 – Compl. 5/2004 PRO 4825 – Compl. 5/2004</p> <p>Complete 5/2004 12/2005</p> <p>IMPL. TASK: 70% COMPL.</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations

Rudman 2.8. The hiring of government and former government officials should be designated as a compliance risk area that merits periodic internal auditing, at least for the next two years.

Boeing's Implementation Plan

Compliance Assessment Process (CAP) Review Team (General Counsel, Ethics and Internal Audit) will ensure that the Compliance Risk Areas of "Restrictions on hiring current and former US Government employees" will continue to be included in the CAP for at least the next two years.

The scope of the Compliance Risk Area will be expanded to include the hiring of individuals with foreign government backgrounds.

Internal Audit, pursuant to PRO 3175: (Compliance Assessment Process, will perform 4th quarter CAP audit.

Procurement integrity audits to be scheduled quarterly for 2004.

Audit results will be reported to Office of Internal Governance.

Timing

Complete (4/2004)

Complete (4/2004)

1st quarter 2005

In process

Ongoing – Quarterly reports

IMPLEMENTATION TASK:
40% COMPLETE

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations

Boeing's Implementation Plan

Timing

Rudman 2.9. Training with respect to hiring government and former government officials should be improved.

Develop training (such as web based training, learning modules, scenarios and other training mechanisms) on the subject of hiring current or former government employees. Training will include restrictions applicable to hiring USG and foreign government employees, post-employment restrictions, the enhanced COI and hiring process, and the consequences of non-compliance.

Complete 5/2004

Deploy training across enterprise, and ensure completion of training for Global Staffing, HR professionals, and managers who are involved in the hiring of employees with government experience

- All sites with the exception of International sites not supported by HR&S
- International sites not supported by HR&S

Complete 6/2004
12/2005

All Boeing Leadership Center core programs modified to enhance ethics and integrity content. See response to Rudman 1.3.

Complete 5/2004

IMPLEMENTATION TASK:
80% COMPLETE

Rudman 2.10. The company should review the sufficiency of its HR management structure within WHQ.

Create new process-aligned HR organization structure with clear responsibility, authority and accountability for consistent application of processes.

Organizational design 4/2004
Implementation 6/2004

IMPLEMENTATION TASK:
COMPLETE

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<p><i>Ide 1.</i> The Company should adopt an enterprise-wide requirement that all matters involving an alleged or potential significant violation of law, regulation or policy be forwarded to the Law Department for review and appropriate investigation.</p>	<p>Boeing will issue guidance assigning responsibility for all investigations of alleged or potential significant violations to the General Counsel, defining the threshold for significant violations, and requiring referral of such matters to the Law Department.</p> <ul style="list-style-type: none"> • Draft new company procedure (PRO 6419) • Publish new PRO 6419 <p>Boeing will develop training and education materials on the significant violation standard and referral system.</p> <p>Conduct relevant training.</p>	<p>Complete: 6/2004</p> <p>Complete: 5/2004</p> <p>10/2004</p> <p>IMPLEMENTATION TASK: 90% COMPLETE</p>
<p><i>Ide 2.</i> The Company should assign the ultimate responsibility for all investigations of alleged or potential significant violations to the General Counsel.</p>	<p>Boeing will review its processes and tools for capturing investigation-related data generated by various Boeing departments (e.g., Law, Ethics, People, Audit and Security) that conduct investigations to assess how those data might be better integrated and accessible (e.g., through the use of a single enterprise-wide database or other methods) and to implement procedures to ensure the efficiency of the referral of investigations to the Law Department.</p> <p>Addressed in Ide 1 Implementation tasks listed above – no new tasks required.</p>	<p>8/2004</p> <p>IMPLEMENTATION TASK: 10% COMPLETE</p> <p>Same schedule as in Recommendation No. 1</p> <p>IMPLEMENTATION TASK: COMPLETE</p>

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
<i>Ide 3.</i> The Law Department should create the position of Investigation Counsel with responsibility and accountability for Investigations.	Boeing will draft and publicize a job description for the new Investigation Counsel position. Boeing will hire an experienced and capable lawyer to serve as Investigation Counsel.	Complete (4/2004) Offer extended and accepted; employee reports mid-September 2004. IMPLEMENTATION TASK: 90% COMPLETE
<i>Ide 4.</i> The Company should dedicate more resources to Investigations both within and outside the Law Department.	Boeing will review the necessity of additional personnel within the Law Department to conduct Investigations, as well as additional personnel elsewhere in the Company to assist in conducting Investigations. <ul style="list-style-type: none"> • Law Department will review • Ethics, Security and Internal Audit will conduct similar review Boeing will draft job descriptions and advertise additional personnel positions, as appropriate.	9/2004 10/2004 IMPLEMENTATION TASK: 50% COMPLETE
<i>Ide 5.</i> The Law Department should adopt a single, Department-wide Investigation procedure.	Boeing will adopt a uniform set of procedures for conducting Investigations, substantially similar to those applicable to investigations of potential Procurement Integrity Act violations, for all other internal investigations.	8/15/2004 IMPLEMENTATION TASK: COMPLETE

Implementation Plan for Rudman I, II, Ethical Leadership Group and Ide Recommendations

Rudman/ELG/Ide Recommendations	Boeing's Implementation Plan	Timing
Ide 6. The Law Department should have a system for tracking Investigations from initial inquiry to final disposition.	<p>Boeing will modify the Law Department's "BOLTS" system to track the status of referrals of alleged potential significant violations from elsewhere in the Company. The system will include the following attributes:</p> <ul style="list-style-type: none"> • Name of referring organization; • Number assigned to matter for tracking purposes; • Date of referral; • Description of allegations; • Status of investigation; and • Requirement to report back to referring organization when matter is closed. 	6/2004
		IMPLEMENTATION TASK: COMPLETE

EXHIBIT E-1

Delta Program PROPOSAL TEAM FIREWALL REQUIREMENTS PROCEDURE

1.0 Purpose

To avoid even the potential appearance of any risk to the integrity of the government procurement process, Boeing has committed to certain restrictions in the preparation of competitive proposals on the Delta Program. These provisions have been coordinated with the Air Force. Boeing has agreed:

- (a) not to establish or use competitive assessment teams as part of the process of developing proposals for sale of Delta IV launch services to the United States government in competitive procurements;
- (b) to isolate participants in preparing new proposals for launch services to be sold to the government from EELV ILS contract Buy I proposal team members and competitive assessment team members and from individuals who were exposed to competitive assessment data prepared by certain individuals;
- (c) to keep anyone who worked on the Buy I proposal or who was exposed to certain competitive assessment data from participating (directly or indirectly) in preparing competitive proposals to the United States government for launch services unless a waiver is provided by the U.S. government customer;
- (d) to isolate employees working on competitive proposals for the sale of launch services to the United States government from any competitive assessment information generated by the Buy I proposal team;
- (e) to provide additional procurement integrity training to employees working on competitive proposals to the United States government for launch services; and
- (f) to prohibit anyone who worked at Lockheed Martin on the Atlas Program from working on competitive proposals to the United States government for launch services for a period of 3 years after that person ceased working on the Atlas Program.

2.0 Scope and Limitations of General Applicability

- 2.1 This Procedure is applicable to all Boeing employees and consultants assigned to Delta competitive proposals, either on a full-time basis or on a part-time or Interdivisional Work Authorization basis.
- 2.2 No Delta Program employee or consultant will conduct any Competitive Assessment Activity (as defined in section 3.3) related to a Proposal for a Delta IV launch to the United States Air Force.
- 2.3 The Delta Program will bid all Competitive Procurement sales to the United States government of launch services and launch hardware solely on the basis of Boeing's estimate of the cost for performing the service or providing the hardware, plus a reasonable profit. Boeing will make its cost and pricing data available to the United States government customer upon request to verify that the prices were developed on this basis. This requirement will be followed in bids for cost reimbursement, firm fixed price and all other types of contracts.
- 2.4 All employees assigned to the Delta Program are prohibited from knowingly possessing any data containing estimates of Atlas launch service or launch vehicle costs or prices unless (i) such data is contained in a document that is in the public domain, (ii) such data is contained in a document that is not in the public domain and the document was prepared by a Boeing employee after April 1, 2004; or (iii) the data was provided directly by Lockheed Martin under a proprietary information agreement for use on a specific program such as Orbital Space Plane.
- 2.5 Any effort to identify the prices or costs of launch services using an Atlas rocket will be based solely on publicly available data.

3.0 Definitions

- 3.1 "Buy I Participants" means anyone: (a) who participated to any degree in preparation of the EELV ILS contract Buy I proposal, or (b) who participated in the EELV ILS contract Buy I competitive assessment team or otherwise supported that effort.
- 3.2 "Buy I Proposal Information" means any data or information that was generated by, or obtained from outside sources by, a Buy I Participant in support of the Buy I proposal or the Buy I competitive assessment team. The EELV contract and its various attachments are not Buy I Proposal Information. Documents in the public domain are not Buy I Proposal Information, even if they were used in the Buy I proposal effort.

- 3.3 "Competitive Assessment Activity" means any effort conducted in order to win a specific Proposal that involves estimation of the prices or other specific strategies or technical approaches that Lockheed Martin might use in preparing its proposal in a Competitive Procurement. Development of market forecasts that are undertaken to determine the Delta manifest and which include estimation of the comparative costs and prices of different launch service providers is not Competitive Assessment Activity.
- 3.4 "Competitive Procurement" means a solicitation by a United States government customer of bids for one or more Delta expendable launch services conducted using competition under FAR Part 6. Sole source procurements from Delta are not Competitive Procurements. Requests by customers for rough order of magnitude estimates are not Competitive Procurements. Interdivisional Work Authorization bids or estimates submitted to other business units within Boeing are not Competitive Procurements.
- 3.5 "Executives" shall mean managers of Boeing who were not Buy I Participants, who are not Proscribed Persons and who have not worked at Lockheed Martin Corporation on the Atlas Program in the three years preceding formation of the New Proposal Team, whose job responsibilities require that they review some or all of the New Proposal Information.
- 3.6 "New Proposal Effort" means activity specifically and solely undertaken for the purpose of preparing for and completing the creation of a Proposal (as defined below). This includes development of the themes and approaches to meeting customer requirements and concerns that will be included in the Proposal. New Proposal Effort starts when the Proposal Team is formed, even if it is prior to release of a request for proposal. New Proposal Effort also includes activity following submittal of a Proposal such as answering questions related to the Proposal and negotiation of contract terms. New Proposal Effort ceases when a contract is awarded for the Competitive Procurement. New Proposal Effort does not include business development or marketing efforts to persuade customers of the value of a Delta expendable launch service, efforts to obtain government approval for additional expendable launch service procurements or discussions with government officials about how requests for proposal should be structured.
- 3.7 "New Proposal Information" means any data generated by any New Proposal Team Member as part of the New Proposal Effort that has not been released to the public.
- 3.8 "New Proposal Team Members" shall mean those Boeing employees and consultants who participate in any New Proposal Effort.

- 3.9 "Proposal" means a written offer submitted by the Delta Program for to a United States Government customer for the sale of an expendable launch service to that customer, submitted in a Competitive Procurement (defined above).
- 3.10 "Proscribed Persons" means individuals on a list maintained by the Law Department who were determined by the Law Department to have had exposure to certain information related to the cost or price of an Atlas launch vehicle or Atlas launch service, such that their disqualification from working on New Proposal Effort is justified in order to prevent any appearance of impropriety. The list of Proscribed Persons will be provided to the New Proposal Team as part of the training in the firewall procedure. This list is revised regularly by the Law Department.

4.0 Duration of Firewall Restriction

The document entitled Delta IV Buy III Proposal Firewall Plan is cancelled. This procedure is effective as of April 1, 2004 and will continue until further notice.

5.0 Requirements

- 5.1 A Buy I Participant and a Proscribed Person may not work on a New Proposal Effort, unless the government customer approves that person's participation. An approval by a customer for participation in one New Proposal Effort will allow that person to work on other Competitive Procurements for that customer, but a Competitive Procurement by a different customer would require separate approval (e.g., approval by the Air Force to work on a Competitive Procurement would not constitute approval to work on a NASA Competitive Procurement).
- 5.2 New Proposal Team Members will not knowingly use any Buy I Proposal Information in performing the New Proposal Effort. New Proposal Team Members will not use, seek or accept data or information in support of writing the New Proposal Effort unless they have a reasonable basis for believing that the data or information is not Buy I Proposal Information.
- 5.3 New Proposal Team Members will certify that they are in compliance with section 2.4.
- 5.4 No New Proposal Team Member will share any New Proposal Information with anyone other than another New Proposal Team Member, an Executive or the government. The list of current and past New Proposal Team Members will be maintained by the Proposal Manager.

- 5.5 Any document created by a New Proposal Team Member that contains New Proposal Information will be labeled on each page with the following legend:

DELTA PROPOSAL DATA
BOEING PROPRIETARY
COMPETITION SENSITIVE
FOR RELEASE ONLY TO AUTHORIZED PERSONS

- 5.6 New Proposal Team Members will not knowingly contact any Buy i Participant or any Proscribed Person for assistance in preparing the Proposal.
- 5.7 Employees who worked for Lockheed Martin on the Atlas Program subsequent to three years prior to formation of the New Proposal Team will not participate in the New Proposal Effort.
- 5.8 All New Proposal Team Members will sign the certificate attached hereto as Attachment I before starting to work on the New Proposal Effort.
- 5.9 Each New Proposal Team Member will receive procurement integrity training prior to starting work on the New Proposal Effort.
- 5.10 All New Proposal Information will be maintained on servers to which only New Proposal Team Members have access. New Proposal Team Members will keep New Proposal Information that is in hard copy format locked up when it is not being used. In addition, GENISYS will not be used for the transfer of New Proposal Information.
- 5.11 New Proposal Information may be sent among New Proposal Team Members by email, provided that the email is properly labeled (see section 5.5) and encrypted.
- 5.12 Each New Proposal Team Member will, at the time when he or she leaves the New Proposal Team, sign a certification in the form of Attachment II.

ATTACHMENT I
[NAME OF PROPOSAL] TEAM MEMBER'S ENTRY CERTIFICATION FORM

I have read and understand the Delta Program Proposal Team Firewall Requirements Procedure. I confirm my commitment to comply with the requirements of that Procedure.

I understand that I must keep ____ Proposal Information confidential and that I may not share any ____ Proposal Information with anyone other than those persons authorized by the terms of the Procedure. I further understand that I will not knowingly use, seek, or accept Buy I Proposal information in conducting any ____ Proposal Effort.

I understand that if I have any questions or uncertainties regarding the meaning or application of the Firewall Procedure, I shall obtain clarification, guidance, or direction from Peter Sloane of the Boeing Law Department (phone 896-4350).

I certify that I was not a Buy I Participant, as defined in the Procedure, or that if I was a Buy I Participant, my participation in the Buy I proposal effort was limited to the following activities:

I certify that I have not worked for Lockheed Martin Corporation or any of its affiliates (as an employee or consultant) on the Atlas Program during the three years prior to [insert date proposal team is formed].

I certify that, to the best of my knowledge, I have no documents or information in my possession (including on any computer) that identifies any cost or price estimate related to any Atlas launch service or launch vehicle, other than (i) documents that are in the public domain, (ii) documents that are not in the public domain but were prepared by a Boeing employee after April 1, 2004; or (iii) data provided directly by Lockheed Martin under a proprietary information agreement for use on a specific program such as Orbital Space Plane.

I certify that I have received the special procurement integrity training course designed for Delta new proposal activities, and have received training in the Firewall Procedure requirements.

Signature: _____

Printed Name: _____

Date: _____

ATTACHMENT II

NEW PROPOSAL TEAM MEMBER'S EXIT CERTIFICATION FORM

I confirm that I complied with the requirements of the Delta Program Proposal Team Firewall Requirements Procedure while I was working on the _____ Proposal Team. I certify that I complied with all requirements of the Procurement Integrity Act while I was working on the Proposal. I certify that I know of no violations of either the Firewall Procedure or the Procurement Integrity Act related to the Proposal, other than any matters that I have already disclosed to Ethics or the Law Department.

In particular, I certify that, to the best of my knowledge, I did not receive any Buy I Proposal Information or data proscribed by section 2.4 of the Firewall Procedure while I was working on the Proposal.

I understand that I must keep New Proposal Information confidential even after I have ceased supporting that effort.

Signature: _____

Printed Name: _____

Date: _____

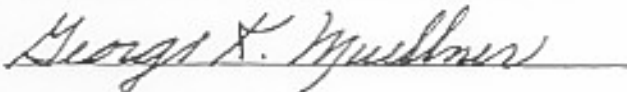
EXHIBIT E-2

I, George Muellner, certify that I am Senior Vice President of Air Force Systems, a business unit of Integrated Defense Systems in The Boeing Company ("Boeing"). I further certify that, to the best of my knowledge, Boeing has used best efforts to collect Atlas launch service and vehicle cost and price information (excluding documents in the public domain or provided by Lockheed Martin under a contractual arrangement) and to destroy this information or secure it under control of the Law Department. I make this certification on the basis of the following actions:

- Beginning in Fall 2002, the Law Department ensured that the Branch documents previously collected were gathered and secured. Copies of these documents are available only for investigation and litigation purposes.
- Beginning in May 2003, Matt Jew's off-site files were secured. Since April 2004, all of Mr. Jew's files and hard drive have been secured and are available only for investigation and litigation purposes.
- In June 2003, ten employees were found to have received copies of Richard Hora's Atlas V analyses. These employees confirmed they either no longer had copies of the Hora (or derivative Jew) estimates, or they provided such estimates to the Law Department. Boeing will secure the files of any other employees found to have received Hora's analyses and, subject to U.S. Attorney concurrence, electronic copies of such files will be deleted from their hard drives.
- Matt Jew revised an Atlas V cost estimate based on the Hora data. A spreadsheet file containing Jew's revised Atlas V cost estimate had been posted on the BLS server. In June 2003, that spreadsheet file was removed from the server.
- Inactive MLV III contracts and proposal files and files belonging to two former Delta engineers, identified and collected during the MLV III and Jew investigations, will be secured.
- Off-site ELS Systems Cost Analysis files have been collected and secured by the Law Department.
- On July 30, 2003, Boeing conducted a training session for all employees regarding proper use of third-party proprietary data. This was followed by a Law Department "stand down" on October 1, 2003, which focused on new investigation procedures and lessons learned from previous investigations.
- Beginning in September 2003, more than 250 employees who had worked on the Delta program certified that they did not possess (or had provided to the Law Department) Lockheed Martin EELV documents or competitive assessments of Lockheed Martin's EELV program.

- Beginning in February 2004, over 2,400 employees (including both current and former Delta personnel) certified that they searched for and provided the Law Department copies of Lockheed Martin EELV documents and documents containing Lockheed Martin EELV information (whether or not they contained restrictive legends). Where employees provided copies of electronic files containing Atlas launch service or vehicle cost or price information (excluding documents in the public domain or provided by Lockheed Martin under a contractual arrangement), those files will be secured and deleted from these employees' computers, provided that the U.S. Attorney's office and the Court in Lockheed Martin Corp. v. The Boeing Company et al., No. 6:03-CV-796-ORL-28-KRS (M.D. Fla.) approve the deletion.
- Over 3,000 Expendable Launch System employees have been asked to certify that they do not have any documents (whether electronic or not) that contain Atlas launch service or vehicle cost or price information (excluding documents in the public domain or provided by Lockheed Martin under a contractual arrangement). Responses from employees are being processed. Those employees that have such documents in hard copy format will turn them over to the Law Department; documents in electronic format will be secured and deleted from these employees' computers provided that the U.S. Attorney's office and the Court in Lockheed Martin Corp. v. The Boeing Company et al., No. 6:03-CV-796-ORL-28-KRS (M.D. Fla.) approve the deletion.
- During the first three months of 2004, all Boeing employees signed an employee Code of Conduct certification stating (among other things) that they would adhere to all restrictions on use of third party proprietary data and comply with all applicable laws, rules and regulations.
- In December 2003 and January 2004, more than 60 Delta Buy III personnel certified that they will not knowingly use Buy I proposal information or any competitive assessment information.
- The Delta Program will implement the firewall procedure for future competitive procurements that is an Exhibit to the Administrative Agreement.

I further certify that the Boeing Law Department will destroy all copies of Atlas launch service and vehicle cost and price information (excluding documents in the public domain or provided by Lockheed Martin under a contractual arrangement) upon completion of the EELV civil and criminal litigation; provided that the Law Department will preserve one copy of each document for the Law Department archives.



George Mueller

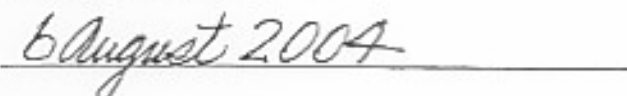


EXHIBIT F

STATEMENT OF WORK

This Statement of Work ("SOW") establishes the effort to be undertaken by BearingPoint, Inc. ("BearingPoint") in providing to The Boeing Company ("Boeing") the Special Compliance Officer ("SCO") services required by the Interim Administrative Agreement between Boeing and the U.S. Air Force ("Agreement") ("SCO Engagement"). BearingPoint will provide the services of George T. Babbitt as the SCO and associated support personnel with high integrity, broad experience in ethics and government contracting, and the required professional skills to successfully manage this undertaking given the size and complexity of Boeing. Unless otherwise directed by the Air Force in the Agreement, BearingPoint will provide Boeing with reasonably available information generated in the performance of its SCO responsibilities that Boeing may require to comply with its reporting requirements under the Agreement.

1.0 General Scope

The SCO will be responsible for monitoring and assessing Boeing's compliance with the Agreement to ensure that Boeing performs its obligations in a timely and satisfactory manner, and to perform the other duties as described in the Agreement. The duties of the SCO will include:

- 1.1 Developing a Compliance Monitoring Plan (in coordination with Boeing and subject to concurrence of the Air Force);
- 1.2 Determining if Boeing has adequate controls in place to provide reasonable assurance that it is conforming and adhering to the requirements of the Agreement;
- 1.3 Verifying that adequate training is being accomplished to ensure that Boeing employees are knowledgeable of their ethics/compliance obligations. Special attention will focus on training related to the treatment of competitive information and contacts with government officials;

- 1.4 Assessing the involvement of Boeing management in ethics/compliance activities, including Boeing internal investigations;
- 1.5 Certifying to the Air Force Boeing's compliance with its proposal preparation policies and procedures (including the restrictions set forth in Exh. E-1 to the Agreement) for U.S. Government competitive proposals in excess of \$500M and for all Boeing proposals in U.S. Government "competitive procurements" (as defined in Exh. E-1) for launch vehicles or launch services regardless of amount, or providing a report describing any noncompliance;
- 1.6 Reviewing Boeing Ethics Line and Ethics Advisor activity;
- 1.7 Verifying that Boeing is compiling and submitting the required reports in a timely manner;
- 1.8 Reviewing non-privileged reports of significant internal investigations, or non-privileged portions of the files of such investigations, to verify the involvement of Boeing management and the Boeing Office of Internal Governance ("OIG") and the sufficiency of disclosures to customers and other third parties; and
- 1.9 Ensuring that Boeing is conducting adequate audit and follow-up activities to ensure compliance with the Agreement.

The terms "certify," "ensure" or "verify" as used in this Agreement do not imply any guarantee or warranty by BearingPoint of Boeing's compliance status. The SCO will reasonably confirm the extent of compliance with applicable policies and procedures, including oral or written assurances from Boeing management.

2.0 Engagement Staffing

BearingPoint will staff and utilize for the entire SCO Engagement a core program management group. This will consist of a full time PMI certified Project Management Professional serving as Program Manager with at least two full time Task Leads.

3.0 Key Personnel

The BearingPoint key personnel identified in this Article 3 (Key Personnel) are essential for the successful accomplishment of the work to be performed under this SCO Engagement. BearingPoint agrees that such personnel shall not be removed from this Engagement or replaced

without the prior written consent of Boeing and of the Air Force. Such consent shall not be unreasonably withheld or delayed.

3.1 Qualifications, Restrictions and Authority

3.1.1 Qualifications and Restrictions

The Key Personnel will be knowledgeable of government contracting and system acquisition and have familiarity with ethics and compliance programs of large organizations. They will not be current or former employees of Boeing, have no current personal or financial conflicts of interest with Boeing, and not have been personally involved in a business relationship with Boeing within the past three years. Boeing will not employ or retain the services of the Key Personnel during and for a period of three years after the expiration of the term of the appointment. These restrictions will not preclude BearingPoint from representing or entering into a business relationship with Boeing on a matter that is unrelated to, and that does not present a conflict of interest with, the Key Personnel's compliance monitoring responsibilities, unless the SCO or other Key Personnel shares in the revenues derived from Boeing by BearingPoint from any such matter(s) beyond normal pay and benefits as a BearingPoint employee.

3.1.2 Authority

In accordance with the Compliance Monitoring Plan, the SCO will have authority to retain and use, at the expense of Boeing, such professional and administrative staff as are reasonably necessary to carry out the responsibilities of the appointment. The SCO shall be entitled to rely upon the opinions, conclusions or reports such professional and administrative staff received in good faith in respect of matters related to this Agreement. The SCO will have authority and responsibility to report, as appropriate, any recommendations regarding

improvements to the Agreement and the Boeing remedial measures specified therein, and any issues, problems, or disagreements concerning compliance to the Senior Vice President of Boeing's Office of Internal Governance, and to the Air Force Deputy General Counsel (Contractor Responsibility).

3.1.3 Succession

If because of unanticipated circumstances the BearingPoint SCO is unable to serve for the duration of the term of the appointment, Boeing will select and appoint a new SCO, not employed by Boeing, whose selection and appointment will also be subject to the qualifications and restrictions set forth herein, and the concurrence of the Air Force Deputy General Counsel (Contractor Responsibility). Such new SCO may or may not be from BearingPoint. If the SCO has served for a period of all but six months or less of the appointment and has provided the final independent SCO report per Section 4.2.2 below, but is no longer able to serve, Boeing may appoint a person employed by Boeing, subject to the concurrence of the Air Force Deputy General Counsel (Contractor Responsibility), to serve as SCO for the remainder of the term. Any employee so appointed will not be subject to the restrictions stated above. The term of any successor, and the remainder of the term of the SCO, will commence on the date of that person's appointment.

3.1.4 Appointment

BearingPoint's Director, Aerospace & Defense Operations, General George T. Babbitt (USAF Retired), will serve as SCO and perform all of the duties of the SCO required by the Agreement and this SOW, as summarized in Section 3.6 below.

3.2 Program Director

Philip Freederberg, Managing Director, BearingPoint, will serve as Program Director for the SCO Engagement and will perform the responsibilities summarized in Section 3.6 below.

3.3 Program Manager

Trevor Bender will serve as Program Manager for the SCO Engagement and will perform the responsibilities summarized in Section 3.6 below. The BearingPoint Program Manager will be co-located with the Boeing OIG Program Manager and work closely with the OIG Program Manager to ensure that BearingPoint performs the SCO responsibilities in an effective and cost efficient manner.

3.4 Expert Task Leads

Julie Moore and Michael Johnson will serve as Task Leads and perform the responsibilities summarized in Section 3.6 below.

3.5 Team Advisors with Expert Knowledge

William Keating, Managing Director, BearingPoint; Frank Beatty, Senior Manager, BearingPoint; and William Kraft, Senior Manager, BearingPoint, will serve as Team Advisors with Expert Knowledge and perform the responsibilities summarized in Section 3.6 below.

3.6 Key Personnel Responsibilities

Title	Responsibilities	Boeing Counterpart
Special Compliance Officer	<ul style="list-style-type: none">• Responsible for the judgments expressed in all reports and for the timeliness and quality of reports.• Responsible for complete and thorough assessments of Boeing compliance.• Briefs Boeing and Air Force senior leadership on progress on agreed upon periodic basis.• Notifies Boeing Senior VP OIG and the Air Force promptly of any significant findings and recommendations.• Certifies Boeing's compliance with its proposal preparation policies and procedures for all U.S. Government competitive proposals >\$500M and all competitive U.S. Government proposals for launch vehicles or launch services.	OIG VP Compliance
Program Director	<ul style="list-style-type: none">• Assists SCO directly to monitor and assess compliance.• Ensures that BearingPoint's responsibilities and deliverable requirements are properly staffed and managed	OIG Program Manager

	<ul style="list-style-type: none"> • Provides overall guidance and direction for the BearingPoint team • Participates in monthly in-process reviews • Ensures quality control procedures are established and implemented • Manages contracts, billing, payments and contract closeout 	
Program Manager	<ul style="list-style-type: none"> • Day-to-day execution lead of the BearingPoint team • Develops project management plans to support overall program • Conducts weekly status meetings with Task Leaders • Identifies and documents monitoring and assessment issues • Leads monthly in-process reviews • Prepares SCO reports required under the SOW • Reviews and follows-up on corrective action plans 	OIG Program Manager
Task Leaders	<ul style="list-style-type: none"> • Establish and maintain schedule and document tracking • Support day-to-day SCO program tasks 	OIG Project Manager OIG Task Leaders
Team Advisors with Expert Knowledge	<ul style="list-style-type: none"> • Participate in monthly in-process reviews • Support the SCO in making judgments required by the Charter • Augment the delivery team at times of peak activity 	OIG Functional Team Leaders

3.7 Outside Experts

When making the judgments necessary to perform his responsibilities, the SCO may retain advisors reasonably acceptable to Boeing and the Air Force to provide additional expertise. This would arise if the SCO determined that the required expertise was of a professional nature (e.g., legal, accounting) or unavailable within BearingPoint. In such cases BearingPoint will bring the issue to the Boeing OIG Program Manager and propose the terms under which the outside expert would be engaged. BearingPoint will not engage outside experts without Boeing's and the Air Force's prior written consent. Such consent shall not be unreasonably withheld or delayed.

4.0 Tasks

4.1 Compliance Monitoring Plan ("CMP")

BearingPoint, in coordination with Boeing, will develop a CMP acceptable to the Air Force. In developing the CMP, BearingPoint will familiarize itself with Boeing's processes and procedures for ensuring compliance with the Agreement. In conducting its own compliance monitoring, BearingPoint will leverage those Boeing processes and procedures, as well as Boeing resources, to the maximum practicable extent, consistent with its responsibilities to provide an independent assessment of Boeing's compliance with the Agreement. BearingPoint will, at no additional charge to Boeing, use its suite of program management tools known as "PMO Online", a web-based suite useable from any location, to suspense and monitor Boeing compliance events.

4.2 Independent Reports to the Air Force and Boeing's Chief Executive Officer ("CEO")

4.2.1 Initial Independent Compliance Report

Between four and six months after Air Force approval of the CMP, the SCO will provide an initial independent report of Boeing's compliance activities to the Air Force and Boeing's CEO. This report will describe the SCO's activities and Boeing's compliance activities for the period covered by the report. The report will also propose, in coordination with the Air Force and Boeing, any changes to the CMP the SCO believes to be appropriate.

4.2.2 Final Independent Compliance Report

Between three and five months prior to the expiration of the Agreement (or a date otherwise established by the Air Force), the SCO will provide a final independent report of Boeing's compliance activities to the Air Force and Boeing's CEO. This report will describe in

detail the SCO's activities since the SCO's engagement and the extent to which Boeing has complied with the Agreement since its effective date based on his experience with the CMP through the date of the report.

4.2.3 Significant Issues or Incidents

The SCO will report significant issues or incidents to the Air Force and the Boeing Senior Vice President OIG, including any refusal by the SCO to certify Boeing's compliance in connection with government proposals, whenever such matters come to the attention of the SCO.

4.3 Periodic Reports

The SCO will report to the Boeing Senior VP OIG and the Air Force on Boeing's implementation of the measures outlined in the Agreement and on the SCO's activities, within sixty (60) days of the Air Force's approval of the CMP, each month thereafter for the first year of the Agreement and quarterly in subsequent years of the Agreement. The format and content of such reports will be established in coordination with Boeing and acceptable to the Air Force. Once established they shall be changed only on the mutual agreement of the three parties.

The SCO's periodic reports will include the SCO's identification of all Boeing competitive U. S. Government proposals greater than \$500M and of all Boeing proposals in U.S. Government "competitive procurements" (as defined in Exh. E-1 to the Agreement) for launch vehicles or launch services regardless of amount submitted during the reporting period, and the SCO's certification as to those that were and those that were not prepared in accordance with Boeing's policies and procedures for the preparation of such proposals.

5.0 Deliverables

BearingPoint will provide the following deliverables in support of its performance of SCO responsibilities:

CDRL	Deliverable Title	Scheduled Completion
A001A	Draft Compliance Monitoring Plan (CMP) to Boeing	NLT 45 Days after signed Agreement
A001B	Proposed CMP to Air Force	60 Days after signed Agreement
A002	Periodic Reports to Air Force	NLT 60 Days after Air Force approval of CMP and monthly thereafter for 1 st year Quarterly after the 1 st year
A003	Initial Independent Compliance Report	Four to six months after Air Force approval of CMP
A004	Final Independent Compliance Report	Six months prior to expiration of Agreement (or other date established by the Air Force)

6.0 Assumptions

BearingPoint's performance under this SOW is based on the following assumptions.

Deviations from these assumptions that arise during the engagement will be managed through the mutually agreed-upon procedures set out in Section 7.5:

- BearingPoint team members may require reasonable facility and administrative support. Requirements will be coordinated through the Boeing OIG Program Manager.
- Boeing will provide reasonable non-escort access to BearingPoint Team members as required to support this engagement or provide personnel with escorts while on location.
- No special classification access clearance will be needed for the performance of this project
- BearingPoint will provide the deliverable documentation support using Microsoft Office applications, PDF format, or ERWin.

7.0 Boeing's Responsibilities

BearingPoint's ability to perform the tasks required by this SOW is predicated on Boeing's full cooperation and prompt compliance with the SCO's requests and the following responsibilities being fulfilled by Boeing.

7.1 OIG Vice President, Compliance

The OIG Vice President, Compliance will have the authority to act for Boeing on matters pertaining to the successful execution of this Engagement; provided, however, that the General Services Agreement may only be modified or amended as prescribed therein.

7.2 Boeing Program Manager

Boeing will designate a Program Manager within the OIG to be the focal point for BearingPoint communications. The Program Manager will be the point of contact for BearingPoint to aid in:

- The coordinated development of the Compliance Monitoring Plan
- The establishment of effective communications to notify the SCO of events or report completion
- Providing Boeing Policy and Procedure material to assist the SCO
- Scheduling team members to observe appropriate meetings and training events
- Resolving issues concerning miscommunication or late suspense
- Resolving minor discrepancies
- Accomplishing monthly in-process reviews

7.3 Information Needs

BearingPoint will be provided reasonable support from Boeing IT staff in order to efficiently integrate its "PMO Online" information technology tool into Boeing's architecture and to comply with Boeing standards.

7.4 In-Process Reviews

Boeing will participate in monthly in-process reviews between the SCO and the OIG Program Manager to be conducted by BearingPoint. These reviews may be conducted via teleconference.

7.5 Engagement Change Control Procedure

Changes to services described in this SOW, including addition and deletion of services, will be submitted in an Engagement Change Request ("ECR"). The ECR will describe the change, the rationale for the change, and the effect the change will have on the SCO Engagement. The Program Manager of the requesting party must authorize the request before submission to the other party. The receiving party may either accept the ECR for implementation or further investigation, or reject it. If it is accepted, it will be forwarded to the Air Force and thereafter implemented only if accepted in writing by the Air Force. Any change in this SOW may affect the charges, estimated schedule, or other terms of this Engagement.

7.6 Access and Cooperation

The SCO will have full and complete access to Boeing personnel, books, records, documents, and technical information related to Boeing's compliance with the terms of the Agreement, except for privileged material for which the SCO will be given a detailed unprivileged synopsis. Boeing will cooperate with any reasonable request and provide any reasonably required assistance, including assistance to obtain necessary security clearances, for the SCO to monitor Boeing's compliance with the Agreement.

8.0 Cost Estimates

BearingPoint will provide Boeing cost estimates for performance of the Tasks set out in this SOW as detailed below. BearingPoint agrees that it will not exceed these cost estimates without the prior written approval of Boeing.

8.1 Preparation of the Compliance Monitoring Plan

Within five (5) working days of the execution of the General Services Agreement between Boeing and BearingPoint, BearingPoint will provide Boeing with an estimate of the cost of preparing the CMP and submitting it to the Air Force for approval (Task 4.1).

8.2 Initial Implementation of the Compliance Monitoring Plan

Within five (5) working days of the Air Force's approval of the CMP, BearingPoint will provide Boeing with an estimate of the cost of implementing the CMP through the submission of the Initial Independent Compliance Report (Task 4.2.1), including submission of the Periodic Reports required by Section 4.3.

8.3 Continued Implementation of the Compliance Monitoring Plan

Within five (5) working days of the Air Force's acceptance of the Initial Independent Compliance Report, including Air Force approval of any changes to the CMP proposed therein by the SCO, BearingPoint will provide Boeing with an estimate of the costs of implementing the CMP through the expiration of the Agreement, or such other period as may be agreed to by the parties.

Exhibit G has been redacted.

EXHIBIT H

Submissions, Presentations to, Appearances before USAF DGC

1. Pursuant to Article 15.a.(ii), Boeing's good faith estimate of the costs of Boeing's submissions, presentations to, and appearances before the U. S. Air Force Deputy General Counsel for Contractor Responsibility, from March 21, 2003, through September 30, 2004, is \$212,651. These costs do not include the efforts of in-house or outside counsel, which are separately accounted for as unallowable.
2.
 - a. This estimate was developed based on the time expended by Boeing's Executive Management (Directors) and Senior Management in preparing and making the foregoing submissions, presentations and appearances, and the associated travel costs. No Line Management or regular staff time was devoted to these efforts. The Executive and Senior Management personnel involved were requested to provide (to the best of their knowledge and belief) an estimate of the hours they expended in the activities identified in Paragraph 3 below. In the absence of any such estimates from the personnel, hours were estimated for them.
 - b. Hours were costed using weighted average labor rates by salary level (based on the participants' expended hours and actual individual base salaries), plus application of a (REDACTED) factor for fringe benefits. Administrative support was added (REDACTED).
 - c. The chart below sets forth these figures and computations. (REDACTED)
3. The foregoing estimate includes costs incurred by Executive and Senior Management in performing such tasks as the following:
 - i. Kick-off meetings to strategize and develop plans for submissions
 - ii. Preparation for kick-off, working, and status meetings
 - iii. Working meetings to coordinate plans and gather data
 - iv. Preparation of submissions
 - v. Status meetings regarding submissions
 - vi. Review and approval of submissions
 - vii. Presentation and explanation of submissions to Air Force
 - viii. Follow-up meetings
 - (1) Kick-off meetings to discuss follow-up action items and responses
 - (2) Development of responses to action items
 - (3) Interim meetings to status action items
 - (4) Consolidation of action item responses
 - (5) Review and approval of action item responses
 - (6) Travel time to meetings
4. The credit for these costs related to IDS will be made through the IDS Home Office Business Unit G&A pool. The credit for these costs related to WHQ will be made through the WHQ Overhead Claim using a composite pool base. The adjustments for the cost estimates for 2003 will be made in the 2003 claims, and the adjustments for the cost estimates for 2004 will be made in the 2004 forward pricing and subsequent claims.

EXHIBIT I

Response to USAF Notice of 24 July 2003

1. Pursuant to Article 15.b.(iii), Boeing's good faith estimate of the costs of responding to the Air Force's "Notification of Intent to Exercise Government's Right to Partially Terminate Contract No. F04701-98-D-0002 for Default for Good Cause" (dated July 24, 2003) is \$ 96,532. These costs do not include the efforts of in-house or outside counsel, which are separately accounted for as unallowable.
2. a. This estimate was arrived at by calculating time expended by Executive Management and EELV Program support personnel who assisted in developing Boeing's response to the foregoing Air Force Notification. These positions are identified below in Paragraph 3. To arrive at the hours expended by these positions, Boeing used actual labor hours devoted to response activity as reflected in Boeing accounting records (i.e., labor tapes) and, when recorded hours were not available, an estimate was developed by the Program personnel involved. The hours spent by Executive Management positions were estimated by IDS Staff Contracts and Pricing.
- b. Hours were costed using weighted average labor rates by salary level (based on the participants' expended hours and actual individual base salaries). For personnel charging to G&A, a fringe rate (REDACTED) was applied. For personnel charging direct to the contract, fringe, overhead and G&A were applied. Administrative support was added (REDACTED).
- c. The chart below sets forth these figures and computations. (REDACTED)

EXHIBIT J

**Costs of Bringing Self Governance, Compliance, Ethics Programs
to a Level Acceptable to the USAF**

1. Pursuant to Article 15.b.(vi), Boeing's good faith estimate of the costs of bringing its self governance, compliance and/or ethics programs to a level acceptable to the Air Force, commencing June 10, 2003, is \$27,539,996.
2. Boeing arrived at this estimate by adding the costs of the IDS 2003 Recommitment Day, the Law Department 2003 Stand-down Day, the World Headquarters (WHQ) 2003 Recommitment Day, the Air Traffic Management (ATM) 2003 Recommitment Day, the preparation and promulgation of the enhancements to Boeing's self governance, compliance, and/or ethics policies, programs and procedures necessary to bring them to a level acceptable to the Air Force, and the additional independent review of Boeing ethics and compliance policy and procedures. As described in Exhibit B, Recommitment Days also have been held by Boeing Commercial Aircraft (BCA) and Connexion; however, these are not included because they are commercial organizations whose costs do not flow to U.S. Government contracts.

<u>Activity</u>	<u>Cost</u>
IDS 2003 Recommitment Day	\$20,545,774
Law Department 2003 Stand-down Day	\$60,985
WHQ Recommitment Day	\$291,197
ATM Recommitment Day	\$26,015
Preparation and promulgation of enhanced policies, programs and procedures	\$6,416,025
Additional independent review of Ethics and Compliance policies and procedures	\$200,000
Total	\$27,539,996

3. The bases of the foregoing cost estimates are as follows:
 - a. IDS 2003 Ethics Recommitment Day: \$20,545,774 was estimated based on the average hourly labor rate for IDS and the number of participants, plus (REDACTED) fringe benefits were applied for this indirect activity. SSG support and WHQ Washington, D.C., attendees of this Recommitment Day are included in these costs, which are based on the same methodology. Non-labor costs directly associated with this activity have also been included in this estimate.
 - b. Law Department 2003 Stand-down Day: \$60,985 was estimated based on the average hourly labor rate for the WHQ Legal organization and the number of participants, plus (REDACTED) fringe benefits were applied. Non-labor costs directly associated with this activity have also been included in this estimate.

REDACTED VERSION FOR PUBLIC RELEASE

- c. World Headquarters 2003 Ethics Recommitment Day: \$291,197 was estimated based on the average hourly labor rate for WHQ and the current headcount on the day of the activity, plus (REDACTED) fringe benefits were applied. SSG support attendees of this Recommitment Day are included in these costs, which are based on the same methodology. Non-labor costs directly associated with this activity have also been included in this estimate.
- d. ATM 2003 Recommitment Day: \$26,015 was estimated based on the average hourly labor rate for ATM and the current headcount on the day of the activity, plus (REDACTED) fringe benefits were applied.
- e. Preparation and promulgation of enhanced policies, programs and procedures: \$6,416,025 was estimated for these activities. These costs do not include the efforts of in-house or outside counsel, which is separately accounted for as unallowable. Nor do they include the costs of operating and maintaining Boeing's enhanced policies, programs and procedures, including, without limitation, employee attendance at revised training courses, employee participation in the meetings of the newly-established IDS CAST and CRB, the Company Ethics' Recommitment Events for 2004, employee consideration and execution of new certifications required for competitive proposals, the hiring of additional ethics advisors or the efforts required to prepare, promulgate and complete the Employee Code of Conduct independently mandated by the Boeing Board of Directors in January 2004.
 - i. The estimate was first developed in December 2003 for the period beginning June 10 through November 2003. A request for estimates, dated December 4, 2003, was directed to all members of the Procurement Integrity Process Improvement Steering Committee, the principal focal point for the proprietary/competitor data issues that were driving the Company's efforts to enhance its policies, programs and procedures at that time. The request instructed that estimates should include time spent on the following activities related to enhancement of Boeing's policies, programs and procedures.
 - Kick-off meeting to brainstorm and develop plans
 - Working meetings to coordinate plans and gather data
 - Development of Action Teams
 - Status meetings
 - Approval of Strategy Group's plans
 - Briefing to Sponsor
 - Consolidation of Action Teams' findings/results

REDACTED VERSION FOR PUBLIC RELEASE

- Approval of Action Teams' findings/results
- Briefing to Strategy Group
- Travel time to and from meetings
- Travel costs to and from meetings

The request for estimates also instructed Steering Committee members to review an attached list of employees thought to be involved in enhancement activities to make sure it was accurate and complete.

A second request was transmitted on March 1, 2004, for updated estimates for the period December 2003 through March 2004. This request specified that updated estimates should concentrate on "Rudman/ELG implementations", reflecting the additional enhancements to which the Company had committed since the initial estimate in December 2004.

A third request was transmitted on April 27, 2004, for updated estimates of the implementation of enhancements for the period April 1, 2004 through May 17, 2004.

A fourth and final request was sent on August 5, 2004. This request specified that data submittals for labor hours and non-labor costs be extended through the end of 2004 and any efforts continuing into 2005 related to the activities in Exhibit D be identified. All activities to enhance policies, programs and procedures are planned for completion by the end of 2005, so no request for data beyond 2005 was necessary.

- ii. These estimates were developed to account for time expended by Executive Management (Directors), Senior Management, Line Management and staff, and to account for associated travel costs.
 - (1) Personnel were requested to provide (to the best of their knowledge and belief) an estimate of the hours expended; if no response was received, hours were estimated for them.
 - (2) Each group's labor costs were determined by multiplying the hours worked by the group and the group's weighted average labor rate (including a (REDACTED) fringe rate).
 - (3) Travel and other non-labor costs were then added to arrive at each group's total cost.
 - (4) The individual group total costs were then added to determine the group's overall costs.
 - (5) The cost of administrative support was added to the foregoing subtotal (REDACTED).
 - (6) The total cost for the enhancements was then determined by adding the subtotal to the administrative cost.

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The foregoing steps are set forth in the following table: REDACTED

- f. An additional independent review of the Boeing ethics and compliance policies and procedures is required by Article 3.h.(iv) of the Agreement. The cost estimate for this review is \$200,000 based on the cost of a similar independent review.
5. The credit for these costs related to IDS will be made through the IDS Home Office Business Unit G&A pool. The credit for these costs related to WHQ will be made using the composite pool base. The credits for these costs related to ATM will be made through the billing process. The credits for these costs related to SSG will be made through SSG cost pools, except for the Recommitment Day participation which will be included in the sponsoring segment's adjustments. The adjustments for the IDS, WHQ, and SSG cost estimates for 2003 will be made in the 2003 claims, and the adjustments for the cost estimates for 2004 and 2005 will be made in the forward pricing and subsequent 2004 and 2005 claims, respectively.

EXHIBIT K

Administering the Agreement

1. Pursuant to Article 15.b. (vii), Boeing's good faith estimate of the annual cost of administering the Interim Administrative Agreement is **\$1,687,142**. These costs include amounts estimated for meetings pursuant to Article 11. However, these costs do not include the efforts of in-house or outside counsel, which will be separately accounted for as unallowable.
2. To obtain this estimate, Boeing determined the five-year cost of the personnel positions that would be required to administer the tasks identified in the various Articles of the Agreement. The costs of these individual positions were then added, including administrative support (REDACTED), to determine the total five-year total cost of administering the Agreement (\$8,435,709). This total five-year cost was then divided by five to arrive at an estimate of the annual cost of administration (\$1,687,142). This procedure is represented in the following table:

<u>Personnel Position</u>	<u>Five-Year Position Costs</u>
OIG Management	\$905,216
Program Management	\$1,668,904
Compliance Office	\$928,720
Functional Support	\$1,130,220
Administrative Staff (supporting all functions)	\$1,673,110
Communications	\$417,736
Internal Audit	\$564,576
Meetings with USAF (REDACTED)	<u>+\$1,147,227</u>
Five Year Total:	\$8,435,709
	<u>+ 5 years</u>
Annual Cost:	\$1,687,142

4. Boeing estimated the five-year cost of each position. Boeing determined the number of hours worked by one full-time person in that position per year. The annual hours worked were then multiplied by the equivalent personnel who would work each position to determine the number of hours worked by that position for each year. The hours per equivalent personnel figure were then multiplied by the hourly rate for each position to obtain the cost for each year. These years were then added to determine the estimated five-year cost for each position. These calculations for each position are set forth in the following sub-paragraphs.

(REDACTED)

5. The credit for costs related to WHQ will be made through the WHQ Administrative Costs forward pricing and subsequent claims over a composite base for 2004 through the life of the Agreement. The credits for costs related to IDS, the meetings with the Air Force by IDS executive management, will be made through the IDS Home Office Business Unit G&A pool in forward pricing and subsequent claims for 2004 through the life of the Agreement.

EXHIBIT L

Salary and Benefits for Former Employees

1. Pursuant to Article 15.c, Boeing's salary and benefits cost for former employees Branch, Erskine, Satchell, Hora, and Jew is \$2,196,518.
2. This figure represents the individuals' full salaries and benefits costs from January 1, 1997*, through the date each employee left Boeing's employ. Each employee's salary and benefits were added together to determine the total cost for each employee. These sums were, in turn, added together to arrive at the total salary and benefits cost for these former employees, as shown in the following table:

<u>Employee</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
Mr. Branch	REDACTED	REDACTED	REDACTED
Mr. Erskine	REDACTED	REDACTED	REDACTED
Mr. Satchell	REDACTED	REDACTED	REDACTED
Mr. Hora	REDACTED	REDACTED	REDACTED
Mr. Jew	REDACTED	REDACTED	REDACTED
			\$2,196,518

3. The credit for these costs will be made through the IDS Home Office Business Unit G&A pool. The adjustments for costs from the period 1997 through 2003 will be made in the 2003 claim, and costs for 2004 will be made in the forward pricing and the subsequent 2004 claim.

* Mr. Hora's costs commence at hiring July 2001.